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NEWS SUMMARY

GENERAL

Foot puts UK unity first

Major Ministers made it clear yesterday that they will be prepared to make substantial concessions to opponents of the Government's Devolution Bill to get it on to the Statute Book by the end of this Parliamentary session.

Mr. Michael Foot, Lord President and Minister with overall responsibility for devolution, described the Bill as the best method the Government could devise to give more democratic control to Scotland and Wales while maintaining U.K. unity.

Two possible additions to the Bill are provisions for a referendum in Scotland and Wales and the granting of revenue raising powers in Scotland. Back, Pages 16 and 30

Gulf widens at Rhodesia talks

Against the background of the expected arrival of a delegation of Zimbabwe Liberation Army guerrilla leaders, the gulf between black and white politicians at the Geneva conference on Rhodesia widened further yesterday as each side's publicly declared positions hardened on the formation of an interim Government. Page 7

Carter may cast Dr. K as mediator

Mr. Jimmy Carter, U.S. President-elect, in a two-hour television interview, said he intended to give much more emphasis to international economic problems. He suggested that Dr. Henry Kissinger, as a mediator on the basis of his role in the Vietnam peace talks. Page 6

Britain wins motor rally

Britain's Roger Clark last night won the Le Mans 24-hour endurance race, driving a Ford Escort RS1800 after an exciting final day in which Finland's Pentti Arikkala was runner-up for most of the 1,000-mile round Britain tour. Page 8

Pools prize tax idea rejected

The idea of a general levy on gambling or a tax on pools prize winners to aid sport is rejected by the interim report of the Gambling Commission on Gambling. Page 5

Roads flooded

More than 12 hours of continuous rain throughout much of southern England has left many roads under several feet of water. Speed limits were imposed on the A1 and M4. Page 10

Death decision

The death sentence on convicted murderer Gary Gilmore, 35, who pleaded to be allowed to be executed by firing squad, was upheld by the Utah Pardon Board announced.

Briefly

German police have arrested Siegfried Haas, 31, whom they describe as a dangerous member of the Bremer-Meinhold gang. A 60-year-old Air Commodore A. C. Cecil-Wright has been elected president of the Kennel Club. Two cases of typhoid have been confirmed and three more are suspected from British Airways flight 334 which left London for Melbourne on October 20. The Cambridge Parliamentary election takes place tomorrow. Page 16

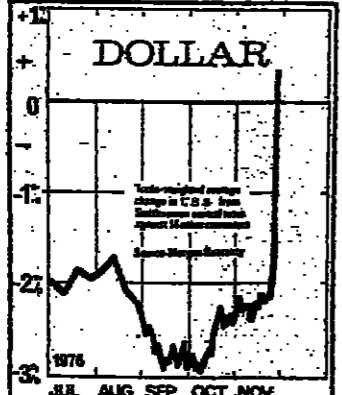
Chief price changes yesterday

Prices in pence unless otherwise indicated		
ICI	252	4
Imperial Chemicals	118	3
Johnson-Rids. (H. R.)	175	15
Land Rover	42	4
May and Jessell	42	4
Nat. Bk. Australasia	200	20
Nat. Westminster Bk.	175	5
Reckitt and Colman	288	10
Robb Caledon	42	3
S and V Stores	228	6
Thomson Org.	340	5
Turner and Newall	39	3
BP	728	6
Shell Transport	402	6
BP South	103	10
CRA	220	20
EZ Industries	180	10
MEI Holdings	320	45
Petco-Wallend	33	5
Selsat Exploration	173	15
Thiess Holdings	97	3
Westfield Minerals	173	3

BUSINESS

U.S. \$ shows strong gain

STERLING gained 40 points to \$165.25, its widest depreciation narrowed to 45.2 (45.7) per cent. The dollar's depreciation of 0.18 per cent. was trans-



formed into an appreciation of 0.35 per cent, reflecting the decline of the Canadian dollar which closed at \$0.80.9605 (\$0.97685).

GILTS suffered losses ranging to 1. The Government Securities index fell 0.24 to 58.10.

EQUITIES fell in a thin market. The 30-share index was 4.8 down at 297.6 while the All-Share lost 1.7 per cent to 128.99. The Gold index gained 2.7 to 131.6.

GOLD rose \$1 to \$130.1.

WALL STREET was 2.91 down at 947.14 near the close.

U.S. TREASURY bill rates: three 4.50 (4.58) per cent; six 4.50 (4.62).

ICI takes stake in U.S. project

ICI is taking a 37.5 per cent stake through two subsidiaries in the construction of a \$600m. ethylene plant in Texas, its first venture into basic petrochemicals manufacturing. The U.S. subsidiary, ICI Chemicals Inc., is to build a 1,445m. catalytic cracker at its Rotterdam refinery. Page 5

JOHNSON and Firth Brown is appealing against yesterday's High Court injunction granted to Dunford and Elliott preventing it going ahead with its \$3.5m. takeover bid. Back Page.

TYNE and WEAR County Council said members of ASLEF, the traindrivers' union, had agreed to stop blocking the \$160m. Tyneside Metro project. Page 5

BOARD MEMBERS of State Industries, who earn between \$10,000 and \$20,000 a year, are expected to turn up in force at a January meeting in London to form an organisation to press their pay claims. Page 8

HOUSEBUILDING starts in October fell to the lowest level for 18 months, according to Department of Environment provisional estimates. Page 10

U.S. SENATE Finance Committee chairman recommended a \$300m. fiscal package to keep the economy moving.

NORWEGIAN Royal Commission recommends increasing the number of public appointees in the commercial banks; representatives councils so that shareholders have a minority. Page 28

COMPANIES

SPOCK EXCHANGE report was highly critical of Sir Hugh Fraser, chairman of Scottish and Universal Investments. The company's first-half pre-tax profit fell to \$2.7m. (\$2.67m.). Back Page 24 and Lex

ICI pre-tax profit for the year to September 30 rose to \$23.07m. (\$16.18m.) on increased turnover of \$288.94m. (\$239.77m.). Page 26

SWAN HUNTER GROUP first-half pre-tax profit rose to \$3.76m. (\$2.35m.), subject to a substantial increase in tax charge of \$1.96m. (\$0.4m.). Page 26

Accounting proposals gain wide support

BY MICHAEL LAFFERTY, CITY STAFF

The proposed new inflation accounting system, known as current cost accounting (CCA), launched yesterday by the Accounting Standards Committee, the rule-making body on accounting matters, has received strong support from the Government, the Opposition, industry, and the City.

The new system, which is essentially based on the report of the Sandilands Committee of Inquiry published in September 1975, will now be open for a six-month period of public debate. Then a definitive accounting standard will be drawn up for publication probably in early 1978.

The first phase of implementation will come for listed companies, other companies with assets or turnover in excess of £10m. and the nationalised industries for accounting periods starting after July 1, 1978.

Companies with 50 per cent or more of their assets overseas are given more time. They come in at phase two which starts for them and companies with a turnover or assets of between £1m. and £10m. in January, 1979.

Phase three, for companies with a turnover or assets of £100,000 or more starts in January, 1980.

The proposed system, appearing in a document known as exposure draft 18, was drawn up by a steering group of the ASC under the chairmanship of Mr. Douglas Morpeth on which the Government had two representatives.

The exposure draft is a compromise between the Sandilands recommendations, which only deal with the specific impact of inflation on physical assets—stocks and plant—and the accountancy profession's earlier preference for a system known as current purchasing power accounting whereby all figures in existing historic accounts would be updated by the Retail Price Index.

It is now proposed that companies should be required to consider, and if they think it particularly circumstances make it necessary, provide for the effects of inflation on non-physical items—that is money or near money assets and liabilities.

There will also be a new "prominent note" to the accounts in which a company's performance will be compared with the Retail Price Index.

It was made clear yesterday by Mr. Morpeth and Sir William Slimmings, the ASC chairman, that their main concern is to see the basic Sandilands adjustments—on which there is now general agreement—implemented as soon as possible.

Mr. Morpeth admitted that the steering group had been unable to agree either on the best way to deal with the monetary items problem or, more fundamentally,

of total industry domestic shipments.

Carter plea to steel men

BY JAY PALMER

PRESIDENT-elect Jimmy Carter announced that America's largest steel companies to "reconsider" their proposals to increase the price of certain steel products by 6 per cent as from tomorrow.

Yesterday U.S. Steel, Bethlehem and Republic Steel, the three largest U.S. steelmakers, all followed the lead of smaller producers in raising the price of flat-rolled steels which are used primarily by the car and consumer appliance industries.

Also yesterday the Aluminum Company of America (Alcoa) announced that it will increase prices for rigid aluminum sheets used in making beer and soft-drink containers by an average of 11 per cent as from early next year.

There was no immediate response from any of the steel makers to Mr. Carter's approach, which was made through third parties.

However, this Carter move can hardly fail to stir memories in the U.S. steel industry of the confrontation with President John F. Kennedy in the early 1960s. On that occasion, the steel companies were persuaded

not to go ahead with their proposed price increases.

Interviewed on nationwide television late last night, Mr. Carter said that he had expressed his concern about the price increases to the steel companies. He added that the response had been "noncommittal" and that the steelmakers had argued that the price increases were necessary.

Mr. Carter added that the steel industry is in a depression and the companies believe that price increases are needed to restore gross margins and maintain income.

Earlier yesterday, the President-elect's Press Office in Georgia said that Mr. Carter was especially concerned that steel price increases would fuel domestic inflation. They could also prompt the oil-producing nations to lift oil prices by a greater amount than might previously have been expected.

CHANCELLOR SETS OUT STRATEGY AS HAGUE SUMMIT ENDS

Healey hints at direct tax cuts in spring Budget

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MR. DENIS HEALEY, the Chancellor of the Exchequer, yesterday gave a clear hint about cuts in direct taxation. But he said these could only come in the spring Budget as it would be impossible to take such decisions until the shape of the third party round was known.

On the final day of the Queen's Speech debate in the Commons, Mr. Healey reported on the spirit of the talks so far with the IMF and on the economic background to the Government's forthcoming decisions.

But he gave no indication of the overall size of the expected measures or the balance between public spending cuts or increases in indirect taxation, ahead of the key Cabinet meetings to-day and to-morrow on the general shape of the letter of application for the \$3.9bn. IMF loan Britain is seeking.

Mr. Healey said the IMF was "as anxious as we are to ensure that any adjustments should be sufficient to do the job—that we should not have to take another bite at the cherry."

The Chancellor stressed that Britain needed a programme to bring the economy into balance at a pace which would not strain the national consensus "on which all hope of industrial progress must depend."

He said the Government was seeking to impose on Britain a massive dose of deflation. And referring to the

social contract and the industrial strategy, he added: "On the contrary, we have been assured again and again that the basic thrust of our policy is right."

The fund did not believe that financial balance was possible at once. "They recognise we need a two- or three-year stabilisation programme."

This can be seen as a reiteration of the Government's intention to make any adjustments—for example, in public spending—over at least two years and not just concentrate on 1977-78. This would apply notably to the reduction in housing subsidies which is now being considered and which would take some time to put into effect.

The repeated stress on the common ground between the IMF and the Government was clearly intended to strengthen the Chancellor's hand ahead of the Cabinet discussions.

It is for the British Government alone to decide the size, nature and phasing of the adjustments required to bring our economy into balance in time. When we have taken our decision, the IMF will have to decide whether we have decided wisely."

Mr. Healey underlined the need for a steady and continuing reduction in the public sector borrowing requirement. "We were likely to find that the borrowing requirement could only be financed at such high

interest rates that it would damage industrial policy."

But no reduction in the borrowing requirement could be achieved by an increase in direct tax. "The level of income tax is already dangerously high and is doing real damage to our economic performance."

Mr. Healey referred to the social and political problems caused by people out of work being able to earn more than those in work. This was producing a backlash among the low-paid.

No decisions on adjustments to income tax could be taken until the spring Budget, however. The Government appears to be determined that the outlines of the third stage of the pay policy should be clear before the tax adjustments are made, rather than the other way round as happened this year.

Mr. Healey also pointed out that if the Government had now over-estimated the size of the adjustment necessary to bring down the public sector borrowing requirement to the right level, the necessary demand could be fed back by income tax cuts next spring.

The Chancellor devoted a large part of his speech to the bleaker economic prospects for both the world and the U.K. economy since the July package. He stressed the difficulties of economic forecasting at present, particularly because of uncertainties over the causes of the

recent poor export performance. Unless the growth of world trade improved the increase in Gross Domestic Product next year might only be half as high as had been expected in July. This meant a rise of 2.5 per cent, compared with the 4 per cent annual rate of rise projected in the summer.

He said the IMF agreed with the Government that if private industry took advantage of its competitiveness at home and abroad the balance of payments should be in surplus on current account in 1978, and the IMF credit would be a bridging loan until then.

Mr. Healey thus implied a much slower balance of payments improvement than that postulated in the recent forecast of a surplus in 1977 from the National Institute of Economic and Social Research. He pointed out that a surplus improvement in the terms of trade—the ratio of export prices to import prices—could not be readily assumed. Indeed he expected some deterioration next year as import prices rose. There might be some reduction in relative export prices.

The Chancellor also quantified for the first time the impact of the recent move to stop banks lending sterling overseas to finance trade between third countries. This would produce an improvement of £500m. in the capital account next year. Parliament, Page 16

EEC against early reflation

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

THE HAGUE, Nov. 30.

HEADS OF EEC Governments have emphasised that the time is not ripe for any significant moves towards reflationary policies by the economically stronger European countries.

This is in spite of a generally gloomy assessment of the outlook for growth next year. A constant consensus emerged at this point to-day at the end of a summit meeting at which Chancellor Helmut Schmidt of West Germany warned that any new economic stimulus in the present uncertain situation would risk triggering off a new round of inflation.

His fears were echoed by Mr. Joop den Uyl, Prime Minister of the Netherlands, the only other EEC country which enjoys a balance of payments surplus.

Mr. De Uyl argued that there was little that the German and Dutch Governments could do to expand economic activity on a Community-wide basis because their surpluses were greatly exceeded by the deficits of the rest of the EEC.

This morning, the German Chancellor closely questioned Mr. James Callaghan on the progress made so far in the U.K.'s negotiations with the International Monetary Fund for a \$3.9bn. loan over a private break-fast at the German Ambassador's residence.

The possibility of additional sterling support measures was discussed, but Chancellor Schmidt is understood to have

emphasised that his first concern was to ensure that the negotiations with the IMF should be assured of reaching a successful conclusion.

While Britain's problems received a sympathetic hearing from other heads of Government to-day, it was made clear to Mr. Callaghan that the U.K. was not alone in suffering from high unemployment, slow growth and rapid inflation, and that in this sense it could not expect special treatment.

Mr. Callaghan told journalists that all the European leaders displayed a strong desire to cooperate in combating unemployment and inflation but that they were "stronger on analysis than on remedies."

The Prime Minister suggested closer study of the increase in private investment in industry.

The rather inconclusive nature of to-day's discussions on economic problems was reflected in the leader's adoption of a policy document prepared by the EEC Committee.

This proposed that there should be no general change in short-term policies and merely urged surplus countries to ensure a continued expansion of domestic demand and deficit countries to observe strict fiscal and monetary disciplines.

The European leaders made little progress to-day in narrowing their differences over how to respond to demands by the developing world in the North-South dialogue. The clear hope of the majority is that the closing phase of the Paris dialogue will be postponed from mid-December until after the Carter Administration is installed in the U.S.

It is hoped that the impetus for such a postponement will come from Washington. A formal statement issued after the meeting fell short of proposing a delay, though it stated that "further progress must be made by the spring of next year."

The new EEC Committee Page 4

Japan trade declaration Page 6

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The Financial Times Wednesday December 1 1976
Staatstheater, Stuttgart

MacMillan's Requiem

by CLEMENT CRISP

"This danced Requiem is dedicated to the memory of my friend and colleague John Cranko, director of the Stuttgart Ballet. Thus Kenneth MacMillan prefaces his newest ballet, given its first performance in Stuttgart on Sunday night, MacMillan's Requiem, with a dedication to his friend and colleague John Cranko, who died in 1973. MacMillan wrote in memory of his friend, a setting of part of the mass for the dead whose gravity reveals depths of belief without excessive dramatics or sentimentality. It is music whose emotional power MacMillan has long contemplated: focused as a memorial to Cranko it gains an added poignancy as a tribute to a friend whose career was parallel to MacMillan's.

The result is a major work which is a most feeling, almost questioning about the essential of dance to express emotion. Yolanda Sonnabend has given an austere stage picture: square columns of misted glass, lit from below, with a white backcloth and wings. The dancers, save for two principals, are in flash-painted tight, decorated on the trunk with stripes and patterns that recall the musculature and veining of the body, reminiscent of drawings by Pavel Gellacher and William Blake.

Blake's drawings have also, I suspect, provided certain initial ideas that MacMillan has developed to feed his dances. The drama implicit in Blake's figures, in Milton, Job, The Typhoon, is exactly that which the choreography presents and extends through movement.

And just as Blake's piercing vision moved far beyond the conventional art of his time, so does MacMillan escape traditional plot to seek something both directly communicative and powerful in the text of the Mass. His response to words has always been original (we have but to remember *Song of the Earth*, or *Romeo*, or *Images of Love*), and the prayers of the Requiem provide the most serious inspiration to date, not for literal translation into dance but as seeds that grow into movement inspired by their imagery.

The ballet begins with a shock. The cast, too numerous for the stage, but including most of the company, shrugs on stage at the opening Requiem. As the first strains of the *Requiem aeternam* rise, the dancers raised heavenwards in grief and supplication. It would be impossible for me to attempt any detailed account of the further action, especially

after a single viewing, but the dance in each section is of great intensity, often novel, but never far from the 'new'.

Maria Haydee, her angelic nature suggested, by a dress of white chiffon, is held high above this opening group and rolls to and fro on a sea of hands, and as the *Kyrie* ends there are five reclining bodies on the stage while a central group remains caught in a supplicating pose.

The succeeding *Offertorium* finds Richard Cragun grieving alone (he wears a simple loin-cloth, and looks very like John the Baptist). To him comes Haydee as a hope of liberation from the pains of hell, and there follows a tender duet, echoed rather after the fashion of *Concerto*'s middle movement by three other couples. But with the baritone solo at *Rosae* of *precis* Cragun is again alone, and the prayer for the redemption of the soul is exemplified in a solo in which his body is sometimes curled on the ground, then stretched in broad sweeps of energy in which Cragun's easy power of movement is beautifully used. At the recitativo of the opening *Domine Jesu Christe*, Cragun kneels in supplication as the girls of the corps de ballet are carried on, as if in realisation of the prayer.

The *Sonchus* which follows opens with another shock. Haydee launches herself in a joyous leap into Reid Anderson's arms—the text: "Heaven and Earth are full of thy glory." The dancing is radiant in visualisation and with the closing *Hosannas* she seems to float beautifully, supported on the knees of the reclining Anderson. The *Pie* which follows is the most unusual writing in the ballet, with Haydee engendering a feeling of absolute trust and innocence as an angelic figure sometimes seated on the ground, or moving across the stage as if contemplating the earth below. Unexpectedly, the dancing is in accordance with the music and the prayer for eternal peace.

In the succeeding *Agnus Dei* Birgit Keil incarnates both the hope of peace and the sacrificial aspects of the *Requiem*. On the stage, the choir of the Stuttgart choir, the *Requiem aeternam* she is held inverted above the stage, and this pose is resolved as Haydee again enters as the representation of consolation. The *Liberia Me* is given to Egon



Richard Cragun

Television

Real life

by CHRIS DUNKLEY

It would be fascinating to discover how often Lord Brown manages to see *The Money Programme* on BBC2. Last Friday's edition was devoted to the Bank of England which was penetrated by James Bellini and a camera crew. The *Money Programme* is not usually concerned with the world in action flag. How did you know that the Bank fires its central heating with oil (fivers)? Usually it is about industry or commerce.

It would also be interesting to know what Lord Brown thinks of *The Risk Business*, BBC's series about research, development and marketing of new products; and to hear his opinion of the very popular and long running series from which *The Risk Business* was spun off: *Tomorrow's World*.

What does he see as the difference, one wonders, between the approach to commerce and industry made by *The Money Programme* and that of the occasional series *Nuts And Bolts of The Economy* under the leadership of the late Sir John Gorton? It is hard to think that *Debit's Dilemma* could have been improved?

It would be intriguing to know whether Roger Graef's two lengthy and widely discussed programmes on steel and oil company administration in Granada's *Decisions* series were as enlightening as they were or not. Equally one would like to hear his thoughts about the hour-long discussion of industry in the first of Thames's current *People and Politics* series.

This sudden interest in Lord Brown's views is prompted by the fact that last Wednesday's *Financial Times* where he created "the mass media" of a "non-creative, conflict-ridden, rat-race." This is exactly the sort of woolly and unsupported complaint that was being made about television from the 1960s ago. But things have changed.

If Lord Brown sat down at 5.30 every day and watched television for seven hours he would manage to see about a third of the evening output of BBC1, BBC2, and ITV. In so doing he would become a most unusual man since most industrialists (or most politicians) would not have seen less television than the average viewer. Most politicians see still less.

From his letter it does not sound as though Lord Brown watches seven hours a night. "Compare the spectacle of a politician's interview with a writer's given to actors, singers, writers and the like to the debanking approach used on the rare occasions when managers appear on the screen," he says.

Rare? Nobody who actually watches television regularly and sees *Newsnight*, *Nightline*, *Today*, *Parade*, *Week-end World*, *Tonight*, and *This Week* in addition to the series mentioned above could possibly claim that the appearance of managers is rare any longer.

And as someone who does watch seven hours a night, I might in addition to daytime previews, would be delighted to know whereabouts this debanking goes on: like all the eroticism and lasciviousness regularly

Royal Shakespeare Theatre

King Lear

by B. A. YOUNG

I can imagine the weary sighs of the directorial triumvirate (Trevor Nunn, John Barton, Barry Kyle) as they are told that their production of *King Lear* is spoilt by being put in the wrong period. What is the right period for a play about a mythical king in a vague historical age? Well, anything from Jacobean back should serve. What cannot serve is a period that will not consistently encompass all the play. One recalls the National's *Merchant of Venice*: when it dealt with those Venetian stockbrokers the Victorian setting worked admirably, but in the fairy ambience of Belmont it was absurd, and had to be made to seem so as if intentionally.

Donald Sinden's *Lear* first appears in the guise of a middle-aged emperor of the latter part of last century. He wears a white uniform, the shoulders laden with gold epaulettes, a spectrum of ribbons crossing his chest, a light blue sash bisecting the frontage, shilling black thigh-bags jerking up and down as he stomps impatiently at anything which displeases him. The hawk-like face in its aureole of white hair supports a vast cigar. The division of his kingdom among his children goes beautifully; how one would have looked forward to Gloucester's memoirs!

Once the kingdom has begun to crumble, however, things go adrift. A monarch of this class would not have journeyed about the country with a retinue of thugs. His attendants would have been drawn from the Imperial Guard, men—however noisy in their cups, however lecherous in their behaviour—outwardly as aristocratic as he. By the time we have progressed to the scenes in the storm the monarch of the first act is forgotten; such things could not have happened to him, and the directors, with John Napier, the designer, seem willing to exchange him for another, more conventional *Lear*. Ever at the end, when soldiers wear tin hats of 1914 vintage over their khaki uniforms, *Lear's* rags are only swopped for an anonymous porridge-coloured outfit belonging to no class and no day.

All this is hard on Donald Sinden, whose playing of the part is a landmark in his career for which some of us have been impatiently waiting. He does both characters well, but they are not quite the same character. Qualities impressed on us in the days of his prosperity fade away; even when he returns to his imperial authority—"I will do such things!"—they are replaced by a softness of character alien to the first concept. The tears that well in his eyes when he asks "How many have come to this? How many have come to this?" are a forest of "Poor naked one loves a pet."

Round House

A Mirror on Which to Dwell

by MAX LOBERT

After so many years of concentrating all his immensely significant musical explorations into various forms of instrumental music, Elliott Carter has composed a set of six songs for soprano and nine players. *A Mirror on Which to Dwell*, first given in New York in February, on Monday was sung by Jane Manning, with an ensemble drawn from the BBC Symphony Orchestra conducted by Pierre Boulez. The work, created with eagerness, pursued every bit as meticulously as any of his previous work, and full of reward in a first encounter with Carter's music can be.

"The moon in the bureau mirror looks out a million miles," begins "Insomnia," fourth of the six Elizabeth Bishop poems chosen for song setting by Carter. A typically elliptical, elusive allusive image at the centre of the composition, it sums up the reflective nature of the poetry. Poetry that reflects its protagonist in complex self-scrutiny and close, sometimes difficult, always wary relationships with another; that reflects the sensations of the external world (of animals, day-time sounds, specifically American scenes, Nature both wild and tame); that reflects in a quick, thought-expression; and, finally, that mirrors the many-layered connections and relationships possible between all these modes of reflection, as drawn in the finely detailed web of Miss Bishop's language.

Embarking upon poetry so subtle, with so unobtrusive yet acute a sense of the play of word-sound upon word-meaning, Carter has acted with a characteristic measure of daring and intelligence. An obvious method of "sounding" the verse as simply and discreetly as possible, he has, in fact, with all the vibrant sensitivity of his language, forged out of simultaneous contrasts and the richness of contrariety, the

music seeks out the currents and undercurrents of contrast in the poetry. Seldom, in the six songs, does the special illumination of a single word or phrase (though when such happens, as in the will-o-the-wisp-texturing around "so green and white in a cobweb" in "Insomnia," the effect is magical); by means of instrumental or instrumental-vocal contrast—between bongos and low strings in "Argument," the second song, between high, piping voice and voice in "Sand," the third—the luminosity of the verse is re-invented, and sustained, in musical terms.

These are, at first sound, angular songs, fearlessly wide in range of line, patterned in rhythmic shapes of extreme complexity, yet places most telling—in the final song, "O Breath," in the soaring and plunging vocal decorations achieve an atmospheric clarity and beauty of the sphere of the reality of the words part earlier. Detail after detail reverberates—far too many to be noted or described here. One element in Miss Bishop's poetry Carter's music is perhaps the quiet wit of lines (the "student of lines" in "Sand" is "a student of Blake") that bring a smile when

Elizabeth Hall

Second-hand Songs

by DOMINIC GILL

On Monday evening, Cathy Berberian brought her *Second-hand Songs* to London. They have been an unconquerably charming and witty, but a long time coming: remarkable even so that the half-hour performance should have been overhauled to a more than twice the length of the original. Her programme of "Musical hand-me-downs of yesterday and today" is one of the most delicate, as well as the most enjoyable, I have ever heard. It shows she has conceived no mere highbrow cabaret act, but a brilliant mirror of an extraordinary musical personality.

Second-hand was an offshoot of Berberian's *Turn-of-the-Century* programme, an expansion of the bizarre collection of famous instrumental works set to words which that first scheme unearthed. Exemplary appreciation would take in every number of the evening, but space allows only the brightest gems: a mad, vello deadpan setting to words by one Professor Gripenkerl of the "first movement of Beethoven's 'Moonlight' sonata—"Ach, Du geliebte!"; a surreal Hebrew liturgy made from part of the slow movement of the Emperor's concerto; a wonderful up-tempo by Frederick Slicher of Beethoven's Fifth.

Best of all perhaps was the outrageously cod delivery of a setting to words of Chopin's *B-flat* minor mazurka by Pauline Viardot—perfection of naughtiness. A Paganini setting of his own *Campanella* to "P pur

Festival Hall

North German Radio

by RONALD CRICHTON

The symphony orchestra of what is now Norddeutsche Rundfunk Hamburg, was founded after the end of the war under the auspices of the British Military Government. It has played a distinguished part in West German musical life—and must have a place in the affections of many British personnel, military and civilian, stationed in Germany. The long and happy reign as principal conductor of the late Hans Schmidt-Isserstedt. His successor until the present year, Noshé Atzmann, conducted the orchestra at Monday's Festival Hall appearance. The programme did not reveal who has succeeded or will succeed him.

Though it will always be welcome in London this concert disappointingly indicated that the NDR players are going temporarily to sea must through a poor patch. The level was frankly provincial, and not in the sense one could both accurately and flatteringly use the expression about a number of German orchestras past and present. There were gaps in the First Symphony of Brahms when the Hamburg strings warmed up and showed that

satisfying mixture of weight and keen attack which still largely eludes our players. The obituary of the symphony brought the best playing of the evening.

There was not much else to recall past standards. The wind choir took the normally welcome German solidarity to the point of coarseness, the accompaniment to Mozart's *A major Piano Concerto* K488 was unimpressive, and Beethoven's *Leonora* No. 3, Mr. Atzmann showed a recurrent weakness for allowing the music to become stuck at almost every rallentando. The soloist in the Mozart was Clifford Curzon, less tense than usual and also less interesting. There were phrases in the slow movement of *Incom-*

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The Society of West End Theatre Awards
The inaugural Society of West End Theatre Awards have been announced as follows: Designer of the Year: Jonathan Miller; Comedienne of the Year: Celia Kersh; Actor of the Year: Alan Howard; Actress of the Year: a Revival: Dorothy Tutin; Supporting Actor of the Year: Margaret Courtenay; Actor of the Year: a New Play: Paul Copley; Actor of the Year: a New Play: Peggy Ashcroft; Comedy of the Year: *Donkeys*; Musical of the Year: *A Chorus Line*; Play of the Year: *Dear Daddy*.
A Special Award was made to the Save London's Theatres Campaign.

EUROPEAN NEWS

Turkey agrees DM 1.5 bn arms deal with W.Germans

BY METIN MUNIR

AGREEMENT in principle has been reached on a DM1.5bn arms sale to Turkey by German manufacturers in talks here last week, but the formidable obstacle of financing the deal is still unresolved, an official source said here today.

The package includes Leopard tanks, missiles, spare parts and

a programme to modernise a number of Turkish tanks by fitting diesel engines and sophisticated optical devices. The figure of 150 Leopards has been mentioned, but the source would not confirm nor deny this.

"The German side is willing that the negotiations lead to a good result," the source said.

Spanish congress allowed

BY ROGER MATTHEWS

MADRID, Nov. 30.

THE SPANISH Government gave formal approval for the Spanish Socialist Worker's Party (PSOE) to hold its first congress in Madrid since the end of the referendum on constitutional reform in 1978. Prominent European Socialist leaders are expected to join several hundred national delegates during the four days of debates beginning next Sunday at a leading Madrid hotel.

Although the PSOE is still illegal, as it refuses to submit to the Government's vetting procedure, the congress will mark an important step towards its participation in the elections promised for next year.

The Socialists insist that the elections will not be democratic unless all parties, including the Communists, are allowed to participate — an argument the Government will not accept. They have threatened to campaign for abstentions in the December 15 referendum on constitutional reform if basic democratic guarantees are not forthcoming.

Prime Minister Adolfo Suarez is likely to take advantage of the presence of European Socialist leaders in Madrid to invite some of them for talks, especially Herr Willy Brandt. Before plans for the PSOE conference, originally scheduled last month, were hushed because of Government objections, the regime had let it be known that the presence of Mr. Michael Foot, the U.K. Labour Party Deputy Leader, would not be particularly welcome.

Barre holds back on reflation

BY OUR OWN CORRESPONDENT

PARIS, Nov. 30.

M. RAYMOND BARRE, the French Prime Minister, has reiterated that the Government had no intention of adopting a reflationary package as long as inflation and the trade deficit were running at their current high levels.

The Prime Minister was speaking to a gathering of businessmen a few days after the publication of the latest official price rise figures, which showed that the cost-of-living index had jumped by 0.9 per cent in October and that the inflation rate for 1976 as a whole would thus be in the region of 11 per cent, about 1.5 points higher than last year.

There was no point, Mr. Barre emphasised, in reflation before the desired results of the Government's restrictive measures adopted in September had been achieved and this would take several months. Another member of the government, Mr. Michel Durand, the deputy Minister of Finance, also gave a sharp warning to the service industries at the week-end that the price freeze, due to be lifted on January 1, would be extended if this sector continued to ignore the price regulations.

At the same time, Mr. Barre stressed that the Government had no intention of achieving its

ends through massive unemployment, though lay-offs in certain industries were inevitable in the present circumstances.

A number of selective measures were under consideration to encourage private investment, which would create jobs, and Government aid for the restructuring of industrial sectors in difficulty was also envisaged.

In this context, Mr. Christian Beullac, the Minister of Labour, has promised that the provisions, under which workers laid off because of the slackness of the economy continue to receive 90 per cent of their wages for one year, would remain in force.

New French steel borrowing

BY DAVID CURRY

PARIS, Nov. 30.

THE FRENCH steel industry is raising a further Frs.975m. on the domestic market to bring its total borrowings on the home and international markets this year to Frs.2.3bn — representing about 85 per cent of the Frs.2.7bn. expected to be raised by the industry this year.

The money is being raised by the Groupement de l'Industrie Siderurgique which is the funding vehicle of the steel industry. On the international market the GIS has already raised Sw.Frs.60m. by way of a private placement and \$25m. on the Euromarket.

A ten-year loan for Frs.700m. is being issued at par with a coupon of 11.4 per cent, while the GIS is raising a further Frs.275m. by an exchange of bonds issued in 1974.

Mr. Jacques Ferry, head of the French Steelmakers Federation, noted that steel companies would face financial charges of some Frs.1.7bn. this year. He said that industrial modernisation would have to be pushed hard within each company and that France's poor productivity record, which was surpassed only by Britain, would have to be improved. He suggested that a 1 to 1½ per cent subsidy the industry received from the government on some of its borrowings could be raised to 5 per cent, but this suggestion seems unlikely to go down well at the Finance Ministry.

Current medium and long term debts being carried by the industry totalled between Frs.32bn. and Frs.33bn. almost exactly equivalent to this year's expected turnover.

The main beneficiaries of the borrowing will be Usinor (Frs.155m.), Sacilor-Sollac (Frs.255m.), an old Mediterranean complex of Solmer (Frs.65m.),

Perez to help Portugal

BY PAUL ELLMAN

LISBON, Nov. 30.

VENEZUELAN PRESIDENT, Sr. Carlos Andres Perez today promised Portugal help in its mounting economic problems. At the end of his state visit here, the last stop on a two-week European tour, the Venezuelan leader said that an agreement had been signed under which Portugal would receive easy credits to meet part of its oil import bill.

Sr. Perez said he had informed the Portuguese Premier, Sr. Mario Soares, that members of the Organisation of Petroleum Exporting Countries were willing to help developing nations burdened by rises in oil prices, "and would receive easy credits to

meet part of its oil import bill. Sr. Perez said he had informed the Portuguese Premier, Sr. Mario Soares, that members of the Organisation of Petroleum Exporting Countries were willing to help developing nations burdened by rises in oil prices, "and would receive easy credits to

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THE NEW MEN IN BRUSSELS

Moving further with the 'construction of Europe'

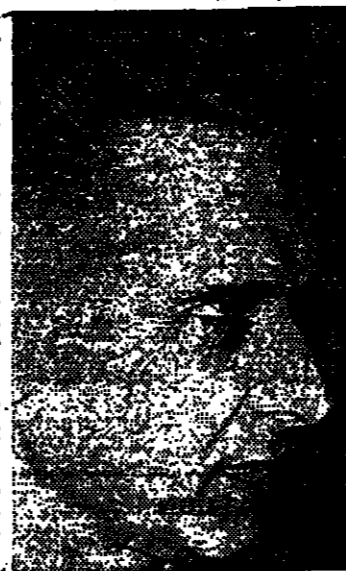
BY ROBIN REEVES

THE COMPOSITION of the new European Commission, which for the next four years will be charged with continuing the "construction of Europe" under the leadership of Mr. Roy Jenkins, fell into place here today.

Months of gossip and speculation concerning Mr. Jenkins' Brussels team were partially ended this morning when Mr. Joop den Uyl, the Dutch Prime Minister and presiding EEC Council president, announced the definitive list of commissioners to take office in January. It contains only seven new faces out of the total of 13 commissioners (two from the big EEC countries and one from each of the smaller countries).

Speculation about the share-out of portfolios, however, is destined to continue since it is a decision for the Commission at its first meeting in early January. Indeed, there are suggestions already of a reallocation of responsibilities, with the external relations portfolio, for example, being divided among more than one commissioner.

Among the new Commission members, both the French and West German Governments have decided to confirm their present appointees for a further term in Brussels. This means that M. Ortoli, M. Claude Cheysson, who has been dealing with development affairs, Herr Wilhelms, Minister of Agriculture,



From left: Sig. Giolitti, Vicomte Davignon, Sig. Naffai and Dr. Vredeling.

economic and monetary affairs, and Her Guido Brunner, at a maverick Socialist politician, Dr. Henk Vredeling, currently a Brussels dossier which fits his talents. In practice this means Ireland is sending Mr. Richard Burke, up to now Minister of Education, while Belgium's choice is Vicomte Etienne Davignon, head of the Foreign Ministry and current chairman of the International Agency. That said, Belgium has

indicated his final appointment is conditional upon his receiving Mr. Christopher Tugendhat, presently Conservative M.P. for the City and Westminster. Politically, the 13-man mission will contain Socialists and five political Centre or Right. Gundelach and Vicomte non, coming from M. administrations, have declared political labels.

Of the remainder, Mr. Finn Gundelach is staying on for Denmark, Luxembourg is re-appointing M. Raymond Vonn, a former finance minister, and second British appointment, along with Mr. Jenkins as

along with Mr. Jenkins as

Italian trade deficit up

By Our Own Correspondent

ROME, Nov. 30

A SPATE of economic statistics released today show that, while Italy's industrial production is still running at a high level of activity, this has been accompanied by a growing trade deficit and a deterioration of the balance of payments.

Industrial production in September rose 14.8 per cent, compared with the same year ago month, while production over the first nine months as a whole was 10.8 per cent up over the same recession period.

At the same time, however, the trade balance over the first nine months showed a deficit of 13,812bn. lire, compared with 11,378bn. in the same year-ago period. Over this period, exports f.o.b. rose 33 per cent, c.i.f. rose 44 per cent, to 125,229bn. lire in September, while imports rose 35 per cent to 132,220bn. lire, while exports rose slightly faster at 34 per cent to 124,712bn. lire, leaving a deficit for the month of 15,080bn. lire.

This situation is reflected in the overall balance of payments figures, which show a revised deficit of 649bn. lire in September (after a surplus of 823bn. lire in July and 254bn. lire in August), compared with a deficit of 1,088bn. lire in September, 1975. Over the first nine months as a whole, the balance of payments deficit amounted to 1,824bn. lire, compared to a deficit of 478bn. lire in the same period of 1975.

Latest provisional payments figures for October, also released by the Bank of Italy, show a smaller deficit of 76bn. lire, for the month.

Simon warns of fall in trade

BY OUR OWN CORRESPONDENT

MOSCOW, Nov. 30.

U.S. TREASURY Secretary Mr. William Simon and Soviet Foreign Trade Minister Mr. Nikolai Patolichev issued almost identical warnings today that the momentum of U.S.-Soviet trade will begin to falter next year unless U.S. amendments linking trade to easier Jewish emigration are repealed.

The two men made their remarks before an opening session of the U.S.-USSR Trade and Economic Council meeting here, which was attended by about 250 prominent American business people, as well as representatives of Soviet foreign trading organisations.

Mr. Simon said that, for the moment, U.S.-Soviet trade statistics look promising, with every indication that total trade turnover in 1976 will pass the record level of \$2bn. of 1975.

He said that U.S. agricultural exports came to \$1.2bn. during the first nine months of 1976, compared with \$1.1bn. for the same period of 1975.

whole of 1975. Manufactured goods exports, which do not depend on the vagaries of the Soviet harvest, came to \$600m. during the first nine months of 1976, compared with \$670m. during that whole of 1975.

Mr. Simon warned, however, that evidence suggests that the growth in U.S.-Soviet trade mainly reflects shipments of back orders. The present level of back orders appears substantially lower than it was a year ago, he said, and the 1976 level of trade may be difficult to maintain.

Mr. Patolichev, in his speech, echoed Mr. Simon's view that U.S.-Soviet trade this year should reach record levels. He predicted that total turnover would be \$2.7bn., a \$700,000 increase over the level of trade in 1975, and twice the value of trade in 1974. He also warned, however, that if something is not done about the "known trade and credit legislation" which has

Greek Cypriots 'being pushed out'

By Our Own Correspondent

PARIS, Nov. 30.

THE GREEK Cypriot Government claimed yesterday that Cypriots remaining in the island were being placed under intense pressure to quit homes that there could be none of them left in the zone within six months. It claimed that evidence was mounting of efforts by the Government to colonise island with mainland Turks.

He quoted UN figures that of the 9,000 Greek Cypriots trapped in the Turkish zone in August 1975, more than 5,000 now remain

Election fever in Italy

BY ANTHONY ROBINSON

ROME, Nov. 30.

A SIGNIFICANT sample of small town and provincial Italy went to the polls last week-end to elect new consiglieri di quartiere, or neighbourhood councils, and the electoral trend which emerged shows further gains by the two major protagonists, the Christian Democrat and Communist parties, and at the expense of the smaller intermediate parties following the pattern of the general elections last June.

The Christian Democrat Party is particularly pleased with itself. In Florence, the largest town of the sample (which went to the polls at the local elections in 1975) the party gained 0.4 per cent on its general election

result and 5.3 per cent on its result in the local elections of 1975. The Communist Party increased its share by 3.8 per cent, compared with the general elections—largely due to the absence of the Proletarian Democrat and Radical parties, who presented their lists too late, and who obtained 3.4 per cent at the general elections.

The Christian Democrats gained 38 per cent of the votes in Arezzo compared with 35.3 per cent at last June's elections and only 33.4 per cent in the local elections of 1975, but the Communist Socialist and mixed Left-wing party lists held their ground well with a marginally improved total of 54.3 per cent.

NATO WEAPONS PRODUCTION

All pulling in different directions

BY ROBERT MAUTHNER

PARIS, Nov. 30.

A DISTURBING picture of the incapacity of Nato's "integrated forces to wage war effectively because of the continuing diversity of its equipment, is given in a new study on the rationalisation of allied weapons production by a former Assistant Secretary-General of the Organisation, Dr. Gardiner Tucker.

The publication of the pamphlet by the Paris-based Atlantic Institute is timely, because the problem will figure prominently on the agenda of the Nato ministerial meeting in Brussels, starting on December 7.

The author does not deny that substantial efforts have been made recently to standardise weapons and to harmonise procurement programmes, both on a European level and between the European members of the alliance and the U.S. Nato's own \$4bn. infrastructure programme to facilitate joint operations, the establishment of 250 Nato airfields to provide an air defence capability all along the area's frontier, joint aircraft production programmes (such as the Jaguar, and the MRCA) and the

recent German-American agreement on a new generation of battle tank—all are cited as welcome progress towards greater harmonisation.

But these are only modest beginnings, according to Dr. Tucker, and a much greater "political will" is required to prevent the proliferation of weapons and the duplication of production programmes. If Nato is to retain its rapidly decaying qualitative lead over the Warsaw Pact.

Some of the examples of Nato's inefficiency which the author gives would be comic if their implications were not so serious. During a recent joint Nato exercise, it was found that more than half the alliance's maritime patrol aircraft, which were theoretically destroyed, had been shot down by Nato's own \$4bn. infrastructure programme to facilitate joint operations, the establishment of 250 Nato air-

craft, six different types of recoilless rifles, four different types of wire-guided anti-tank weapons, and three different types of mortars, rifles and machine-guns.

Though it is supposed to be deployed quickly in the event of a crisis, its mobility and combat readiness are severely hampered by the fact that each of the seven national units is obliged to maintain its own logistics organisation to supply its own troops and aircraft.

The same is true for the Nato navies which, to-day, are composed of 100 different types of ship of destroyer or larger classes. 30 different types of radar for gun-fire control and 40 different types of gun of 30mm or larger calibre, all using different ammunition. The fleet can remain operative only if supply ships from each participating country replenish their own vessels.

The picture is hardly brighter as regards the Nato air forces. standardisation and division of labour between the member countries in the production of air weapons is the important role

craft of the type used by the host country. Though some progress has been made in standardising fuel for tactical aircraft, no standard nozzles or equipment for transferring the fuel into aircraft yet exists, nor has there been any standardisation of aircraft ammunition.

Even in those areas in which considerable progress towards standardisation has been made, such as the search for a common battle tank, much remains to be done. Until the former American agreement of August on the next generation of main battle tanks, the guns to be used in the four major tank-producing countries all differed in calibre, so that their ammunition would not be interchangeable. With the Americans now committed to a 120mm gun, the number has been reduced to three, but the problem of standardised ammunition has still not been solved.

Dr. Tucker recognises that one of the main obstacles blocking the Nato air forces, standardisation and division of labour between the member countries in the production of air weapons is the important role which national armaments industries play in the economies of the member countries, and the link which is made by some between a viable defence industry and national independence.

He therefore emphasises that the necessary industrial and technological rationalisation of the armaments industries within the alliance must take into account the need for all member countries to share equitably in the ensuing economic and technological benefits.

The first prerequisite, as has already been widely recognised, is a common agreement on the characteristics of weapons needed by the alliance for any particular purpose. Equipment must then be jointly selected in such a way that each nation is given an opportunity to supply others with military equipment comparable in monetary value to those it procures from them, so as to minimise net deficits on military accounts. In addition, all member nations must be encouraged to play a constructive role in research and development, and scientific, technological and proprietary information should be freely shared.

The present procedure, under which the European members of the alliance are separately striving to come to an agreement in Nato's European programme group on the rationalisation of the European arms industry and their development and production programmes, is considered by Dr. Tucker as probably the best way of avoiding the "Americanisation" of the alliance's arms industries. It is only when the European industries have attained a level of efficiency and cost-effectiveness comparable to those of the U.S. that the "two-way street" is likely to operate smoothly.

Towards Rationalising Allied Weapons Production, by Dr. Gardiner Tucker, published by the Atlantic Institute for International Affairs, Paris.

and now, he cannot bear to turn a corner

Six-foot-four Sergeant "Tiny" G. P. M. was perhaps the bravest man his Colonel ever knew.

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EUROPEAN NEWS

DAVID SATTER, Our Moscow Correspondent, recently back from a journey to the Uzbek Republic, reports on one of the USSR's remotest regions.

The sickle and the crescent

ON A BUSY boulevard, across from Tashkent's large department store, stands a 16th-century school for training Moslem priests. Passed by milling crowds and traffic, the rectangular building with its mosaic walls and pointed arches provides a silent reminder in modern, multi-national Tashkent of a traditional Islamic past.

The past is easy to forget in Tashkent, the capital of the Uzbek Soviet Republic and a city of 1.6m. Already the most Sovietised of the Republic's major cities, Tashkent is embarking on a construction programme which will provide modern housing for thousands of people—but which will also involve the destruction of old Uzbek districts with their crowded, one-storey clay houses, dimly-lit passageways and winding streets.

Tashkent is expected to have a population of 2.5m by 1990, which would make it the third largest city in the Soviet Union after Moscow and Leningrad. The increase is expected to result from immigration from the countryside and a rate of natural increase in Uzbekistan of 3.5 per cent, a year compared to 1 per cent for the Soviet Union as a whole.

The future city is to consist of multi-storey apartment buildings, open squares, parks kept green by the city irrigation network and artificial lakes. A sports stadium with a seating capacity of 100,000 is to be erected and a new underground railway built to withstand Central Asian seismic disturbances. It is to be built with an ultimate length of 40 kilometres. The first 12-kilometre leg of the system is to open next year.

The changes in Tashkent, and similar, although less extensive, physical changes planned for such cities of the famed Silk Route as Samarkand and Bukhara reflect the continuing modernisation of the Uzbek Soviet Republic, an ancient land of merciless heat and parched, barren steppes which has been transformed since the Russian revolution from a neglected oriental backwater into a major industrial and agricultural centre.

In 1913, there was little industry in Uzbekistan, apart from a few cotton plants in the hands of private owners. Today, 58 per cent of the Republic's products are industrial and there are a hundred

branches of industry including machine building, metallurgy, gas and oil extraction, radio engineering, electronics, cotton spinning, silk manufacturing and the extraction of non-ferrous metals. Between 1913 and 1975 gross output in Uzbekistan increased 80 times, fuel production over 1,000 times and machine building over 10,000 times. In 1973, total power production in Uzbekistan amounted to 3m. kilowatt hours. In 1975 annual power production stood at 33bn. kilowatt hours.

The growth of industry has been accompanied by the expansion of agriculture. Gross agri-

cultural output was six times greater in 1975 than in 1913 and production of cotton, Uzbekistan's staple product, has expanded from 821,000 tons produced in 1913 to over 5m. tons in 1975. This expansion of agriculture has been largely the result of irrigation and mechanisation. Between 60 and 65 per cent of all arable land in the Republic is irrigated, and 70 per cent of all irrigated land is under cotton.

The changes throughout Uzbekistan in a single generation have produced a region in which peasants' donkeys feed peacefully in the shadow of modern high rises; women in ankle length gowns walk down modern commercial streets carrying bundles on their heads and old men haggle over bags of fruits and nuts in front of signs praising the decisions of the 25th Communist Party Congress.

The economic development of Uzbekistan brought fundamental social change. Improved medical care extended life expectancy from 32 to 72 and almost universal literacy now exists, where only 2 per cent of the popula-

tion could read and write before the revolution. In the 1920s, the first woman to appear on stage in Tashkent was murdered, as were women who removed their veils in Samarkand. To-day, 76 per cent of the Republic's teachers and doctors are women as are 100,000 of Uzbekistan's 469,000 communist party members.

Uzbekistan produces two-thirds of the Soviet Union's cotton, accounts for 14 per cent of its gas production and contains a high proportion of its cotton-related industry. The Republic has a population of 14.6m., 67 per cent of whom are

most clearly Central Asia's cultural and historical distinctive-

ness. The practice of the Moslem religion is tolerated but circumscribed. There are believed to be 30m. Moslems in the Soviet Union and approximately 10m. of these live in Uzbekistan. Only 25 to 30 people a year, however, are able to make the pilgrimage to Mecca. The Koran was last published in 1973 in an edition of 26,000 copies and there is only one active school for training Moslem priests in Uzbekistan.

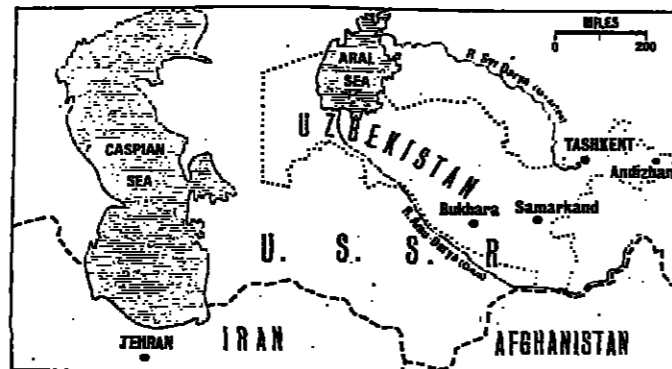
During the 1976-80 five-year plan, Uzbekistan is expected to continue to develop and modernise. Industry is targeted to grow 36 per cent over the five-year period, national income to increase 32 per cent, and capital investment 21 per cent. Agriculture is expected to grow by 26 per cent and total cotton production by 1980 is expected to approach 6m. tons a year. Real incomes in Uzbekistan are expected to grow 14 per cent.

It is likely that the symbols of traditional Uzbek culture, the Mosques and Madrasahs, will seem increasingly out of place in the modern, monotonous cities growing up around them. Soviet officials insist that the new pride of the Republic is its factories, like the cotton harvester plant at Tashkent which produces 8,000 harvesters a year, and its state farms, like those on the Hungry Steppes where a barren desert transformed by irrigation into a major cotton producing area.

To some extent, the ideological preparations appear to be successful. Young Uzbeks study in universities all over the Soviet Union and the Uzbek local party officials expressed the usual limitless enthusiasm. The Mosques are attended by older people but few younger Moslems as regularly.

The Uzbeks are aware, however, of the separate culture in magnificent monuments they see all around them and they still talk in Samarkand about what happened when Soviet researchers ignored the pleas of the superstitious and opened Tamerlane's grave. Tamerlane himself, according to legend, had warned before he died that if anyone dared to disturb his grave there would be unimaginable suffering and the world would tremble. Tamerlane's grave was opened on June 21, 1941. The Germans invaded the Soviet Union the following day.

National self-expression is encouraged in Uzbekistan as long as it pre-supposes participation in a multi-national Soviet state. Newspapers are published in Uzbek, as well as in Russian, Tartar, Kazakh and Karakalpak. Uzbek composers and writers are studied and published. The Uzbek language book publishing industry is active and 70 per cent of the broadcasts in the Republic are in Uzbek. Children may attend either Uzbek or Russian language schools with compulsory instruction in the other language beginning at the age of eight. The Soviets are not solicitous of aspects of Uzbek culture which contradicts Marxist-Leninism or express



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We do business with half of the leading U.S. national and multinational companies on the "Fortune 500" list. And over 750 banks in more than 130 countries. Now do you know who we are?

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Why you're much better off when you arrive in New York with TWA.

Because you arrive at TWA's own terminal. A very advanced building, designed by world-famous architect Eero Saarinen, offering its own International Arrivals facilities for the exclusive use of TWA passengers.

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Naturally it has everything you expect a good terminal to have. Places to eat, places to meet, as well as shops and a bank.

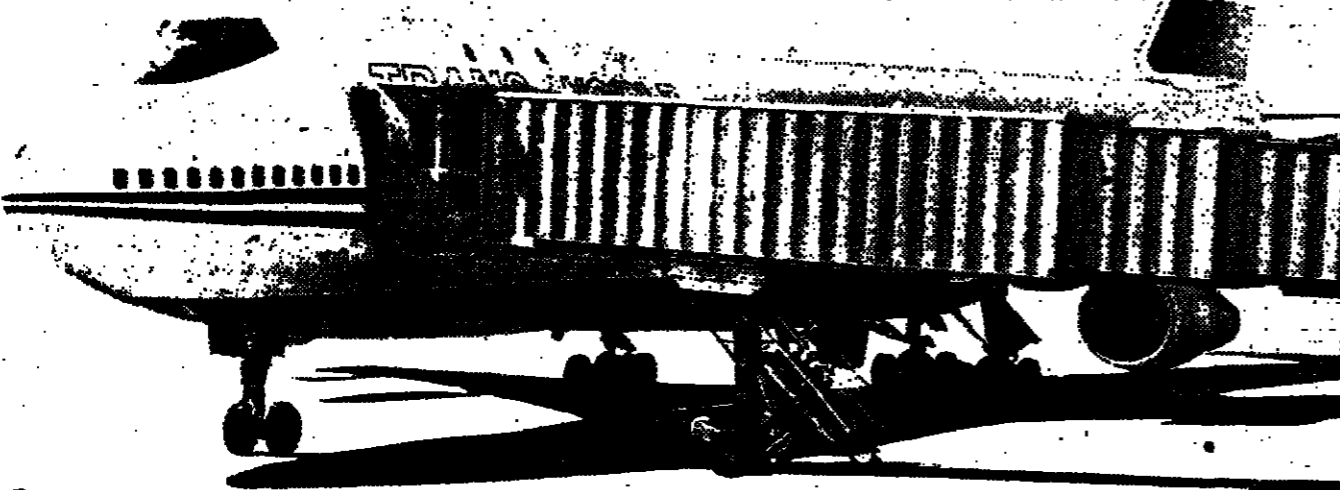
More important, its unique layout allows

the combination of maximum efficiency for traffic with the maximum comfort for passengers.

In fact, by the time you leave the plane and reach the front door of the building, having passed through immigration and customs on the way, you will have walked less than 100 yards.

Remember the next time you cross the Atlantic, you're much better off to fly with the No. 1 scheduled airline.

You not only get a nice trip through the air. You get a nice trip through the terminal too.



1 No waiting after a long flight. You leave the air rail through a covered bridge so there's no worry about the weather. The first advantage of arriving in New York with the airline offering an exclusive terminal.



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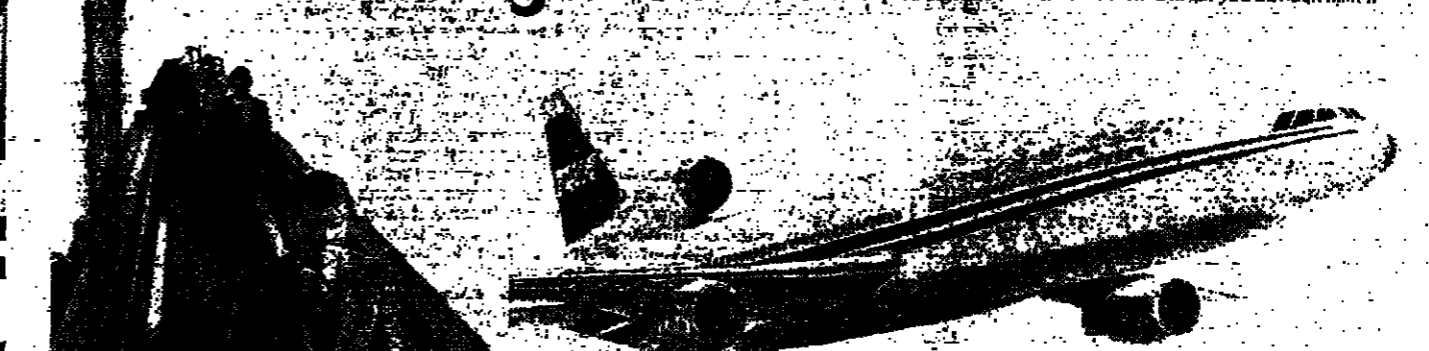


3 You pass through immigration faster because no other airline uses the terminal.

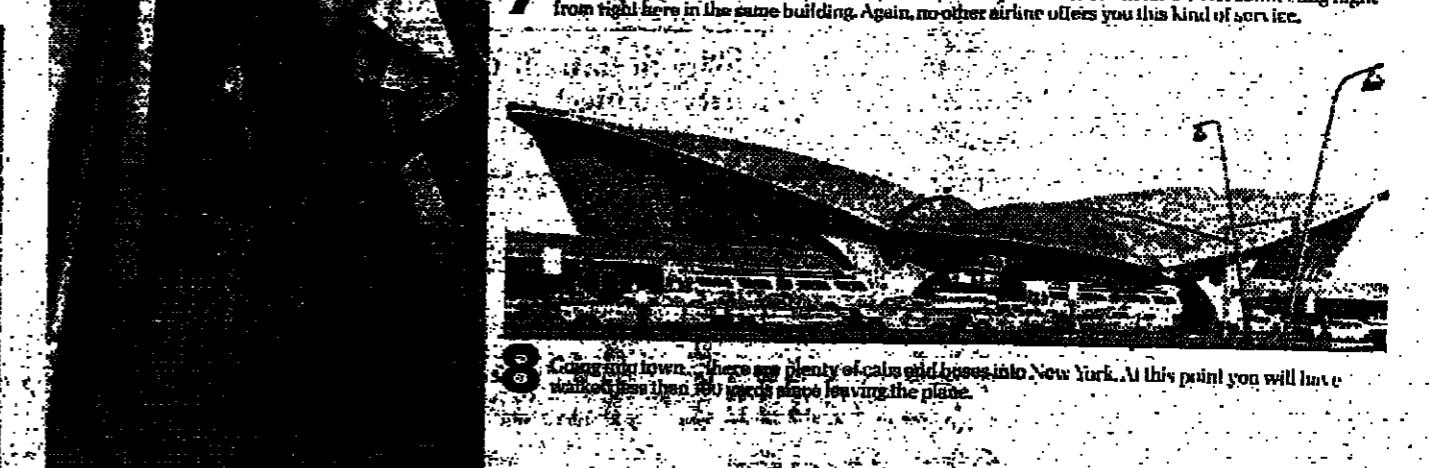


4 When you pass immigration, chances are you'll find your luggage waiting for you for a change. Another advantage of TWA's own terminal is that TWA controls unloading.

5 Exclusive customs channels for TWA passengers. There are 30 benches to get you through faster.



7 Going on somewhere? A few passengers and you can check in for a TWA connecting flight from right here in the same building. Again, no other airline offers you this kind of service.



8 Coming home? There are plenty of cab and limo cabs into New York. At this point you will have walked less than 100 yards since leaving the plane.

No. 1 across the Atlantic
TWA

AMERICAN NEWS

Carter says Kissinger may act as mediator

BY DAVID BELL

MR. JIMMY CARTER, the President-elect, said last night that he intends to give much more emphasis to "international economic problems" in his administration. He said that the U.S. would be more active in the world economy, and that he might use Dr. Henry Kissinger as a mediator on an ad hoc basis.

In a two-hour television interview with CBS, Mr. Carter was polite but noncommittal about the future of the Secretary of State. He said that the Ford administration officials to whom he had talked had promised him their cooperation, including Dr. Kissinger, and that it was a "possibility" that he might be able to act "on an ad hoc basis" as a mediator on Africa or the Middle East. But any continuing role would be "highly unlikely."

The President-elect went out of his way to make it clear that "international economic issues have been seriously neglected in the past few years," and said that he intended to make sure that both the Secretary of the Treasury and the Board of the National Security Council would be much more

concerned than in the recent past with international economics. Mr. Carter said that he had learned nothing which had shocked him in his post-election briefings with Dr. Kissinger and others, but he said he was disappointed that a dispute inside the Ford Cabinet and the election had delayed progress on a new strategic arms agreement with the Soviet Union. "This is something that should have been solved months ago," he said.

He also noted that Dr. Kissinger had told him that the Soviet Union had never told him "flatly" during negotiations, but that they had dealt in "nuances which might be open to varying interpretations." The Chinese, on the other hand, had been more straightforward. He said Dr. Kissinger had told him that if the Chinese make a statement you can depend on it.

Mr. Carter repeated his campaign pledge that he would encourage greater standardisation of NATO forces in the years ahead, and that he still intended to cut defence spending and professed himself to be happy with the current sale of

American defences except for the fact that the combat readiness of U.S. forces could be "improved."

The new President was, as he has been these past few weeks, cautious about the U.S. economy, reiterating his determination to move cautiously to reduce unemployment. He said that he would probably favour a combination of tax cut and some public works programmes designed to create jobs in specific sectors of the economy like housing and pollution control. There would be no mandatory wage and price controls. On other matters, Mr. Carter said that it was "inevitable" that energy prices would rise sharply in the next few years and that energy conservation would therefore be an important priority of the new administration.

He said that he was not opposed to nuclear power plants, but that they should be more strictly regulated than hitherto. "I think we should be much more rigid in maintaining environmental quality and efficiency standards,"

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Trudeau, Levesque to meet shortly

By Victor Mackie

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EEC declares three month truce on Japan dispute

BY ROBIN REEVES

THE HAGUE, Nov. 30.

A THREE MONTH truce between the EEC and Japan was declared by Common Market Ministers of Government here today. It is to allow time for the two sides to find solutions to their growing trade imbalance and the threat posed for sections of European industry by Japanese import penetration.

In a fairly conciliatory statement issued at the end of the two-day "summit" EEC leaders said they noted with satisfaction that the Japanese Government was willing to co-operate with the European Community, in solving the rapid deterioration in the trade situation and the problems which have arisen in certain important industrial sectors.

At the same time, the statement emphasised "determined efforts are called for to remedy the situation, paying particular attention to the need for rapid expansion of Japanese imports from the Community, with the view to the development of mutually advantageous trade relations."

It went on to invite the Brussels Commission to continue

its discussions with the Japanese authorities, but stated bluntly that EEC leaders expected "substantial progress" to have been made by the next summit on tobacco and milk powder, in February.

Although the statement made no direct reference to the 10 per cent or less, and to adopt a co-operative attitude in talks with Japan, the Japanese Prime Minister and the Japanese Government were expected to be taken off a number of sectors, including shipbuilding, electronics, steel and motor cars.

The willingness of the Japanese Government to adopt a "flexible" attitude was encouraged by the recent response of Japan to the warning of Mr. Fynn, the Community's trade commissioner, to temporarily restrict imports of external relations, earlier this month.

He told Japanese industrial leaders he could not guarantee the EEC Governments might not take action to protect key industries against competition from Japanese imports, if they did not offer to do something before the present summit.

Concession to EEC outlined

TOKYO, Nov. 30.

JAPAN has announced step increase agricultural imports from the European Community and offered talks on its share of the shipbuilding market and car sales to Britain.

The Government said the concession was presented to the EEC summit conference, which ended yesterday, after demands for reduction of Japan's growing trade surplus with EEC countries.

But the offer, in a letter to Mr. Yasuhiro Nakasone, Deputy Prime Minister, stressed that Japanese trade should be expanded through expansion of trade without limiting flows in either direction, constant dialogue between two sides was important.

It said: "We are of the opinion that trade between Japan and the EEC should be balanced on a bilateral basis at a balance in the global trade."

Foreign Ministry, off quoted by Kyodo News Service, said the EEC conference, which ended yesterday, was held in a spirit of mutual understanding and cooperation.

Saying that EEC leaders have appreciated Japan's reaction to their demands, added, however, "A realignment to the Japan-EEC trade balance is a long-term task."

It said a solid effort by the countries to improve their economic and industrial structure was essential.

Concerning the difficulties in the trade balance, Mr. Nakasone said Japanese exports have been increasing in a moderate manner on the basis of individual judgment of companies.

He said Japanese car exports to Britain would not be reduced, but that the British motor industry should not be disappointed by the fact that Japan's car exports to Britain have been increasing this year.

As for Japan's share of shipbuilding industry, it said Japan felt it was useful to have a mutual consultation with the EEC at the same time.

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OVERSEAS NEWS

Miki may be forced into coalition say opinion polls

BY CHARLES SMITH, FAR EAST EDITOR

JAPAN'S three major daily newspapers have published the results of public opinion polls indicating a serious setback for the ruling Liberal Democratic Party in next Sunday's general election.

Of the two polls already published the most pessimistic for the LDP is that by Mainichi Shimbun which suggests that the party could win as few as 240 seats in the 511-seat House of Representatives. The Yomiuri Shimbun gives the LDP 256 seats in the 511-seat House of Representatives in this election as in previous ones, several conservative independents are likely to be elected and would probably cooperate with the LDP, raising the party's working majority to 120.

The Asahi Shimbun is expected to predict a 250-seat win for the LDP with conservative independents bringing its effective strength to 267. Opinions vary about which of Japan's four major opposition parties will gain at the expense of the LDP but the forecasters agree that the New Liberal Club, a separatist splinter group formed last summer, may damage the ruling party significantly.

Even if the most pessimistic of the three forecasts is right, the LDP will remain easily the largest party in the Japanese Diet and thus, almost inevitably, the core of any government to be formed after the election. But the party will consider its performance extremely bad if it emerges with even the 256 seats provisionally forecast by Asahi and the



main Diet committees. Failure to win 271 seats would oblige the LDP to seek co-operation from at least one of the opposition parties on some of the Diet committees. The LDP's strength in the present 491-seat Lower House of the Diet is 265 seats giving it a stable majority. But the splitting up of urban constituencies where voters have been under-represented has added 20 seats at this election. The LDP's poor showing in the election campaign so far, can be put partly to the impact of the Lockheed affair on the party's image and partly to what appears to be a severe shortage of campaign funds. The three Liberal Democratic politicians arrested last summer on charges of accepting Lockheed bribes are running in the election as "independents," at least one of them with overt support from the party organisation. And several

so-called "grey politicians" who have been named as recipients of Lockheed money and arrested but not charged with legal offences, are running as full party candidates. The public seems to have concluded from this that the LDP has not rid itself of the Lockheed scandal and traditional LDP supporters who could stay at home in large numbers if the present bad weather continues in northern Japan, appear increasingly demoralised.

The shortage of funds arises from the unwillingness of big business to contribute campaign funds at a time when business is bad. The yield from the business world for the election is roughly a quarter of what it was in 1972 and where individual factions within the LDP may have fared better, the amounts they have been able to raise have been restricted by the new law on electoral fund contributions passed in 1974.

Although the Liberal Democrats are clearly doing poorly at this stage of the campaign, the party could pick up support in the final days before the election as a result of some surprise gesture by the Prime Minister Mr. Takeo Miki, perhaps in the form of an explicit promise of a tax cut after the election or of increased social welfare benefits.

Mr. Miki, who has set himself the target of winning 271 seats, is almost certainly anxious to come out with a winning promise of this kind. But he may be prevented from doing so by other LDP leaders who have less of a personal stake than he does in the result.

Israel seeks deal with Lebanon

JERUSALEM, Nov. 30.

ISRAELI hopes to reach an understanding with Lebanon soon banning Syrian or any other foreign Arab force from Southern Lebanon, Government officials said today.

However, they denied reports from Washington and Beirut that an arrangement is being worked out through the U.S. under which Syria would station only a token force in the border area.

"We believe that the Lebanese army now being reconstituted by President Elias Sarkis can assure security in the border areas and prevent Palestinian terrorists from again using the region as a base of operations against us," the officials said.

UPI reports from Beirut: The Right-wing Phalangist Radio said here on Tuesday 1,000 non-Syrian soldiers, will approach Israel from positions about 40 miles north of the frontier. It said the soldiers, probably from Saudi Arabia, Sudan and the United Arab Emirates, are not expected to provoke Israeli objections as they stretch their positions to the strategic port city of Tyre and the inland crossroads town of Nabatiyah. In return, Israel is understood to have stressed to both President Sarkis and Syrian officials that it expects Palestinian commando operations in the south to be curbed.

Meanwhile, difficulties continued to hinder preparations to collect heavy weapons in Lebanon, with none of the rival groups prepared to be the first to give up its guns.

Col. Ahmed al-Hajj, the force's Lebanese Muslim commander, conferred with Mr. Sarkis about the collection of arms. This issue, together with the dispatch of Arab forces to the troubled southern border region with Israel, has preoccupied the President and reportedly delayed the formation of a new Government for Lebanon.

Guerilla delegation casts doubts on Rhodesia talks

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

THE most interesting news to have come out of southern Africa since the conference on Rhodesia convened nearly five weeks ago is that the Zimbabwe Liberation Army is to send an independent delegation to the Geneva meeting.

Delegates to the conference were anxiously awaiting details of precisely who would represent the Mozambique-based guerrillas, and when they would arrive in Geneva. Few doubted that their effect on the Geneva conference, and on the four black and one white delegations assembled there, could be profound.

The Geneva conference would not have been convened at all had it not been for the increasingly bitter guerrilla war now raging in Rhodesia. Few outside observers know precisely what or who — Zipsa is. Most agree that it is the body which best represents the Mozambique fighters.

Despite increasing incursions from Zambia and Botswana, it is the Mozambique-based guerrillas who are currently making the running against Rhodesia's white-controlled army.

The most significant point about the Zipsa decision — announced over Mozambique radio on Monday — is that the guerrilla organisation has decided to play a political role. Founded last year by guerrillas from the two former main nationalist parties of Zulu and Xhosa, it attempted to co-ordinate guerrilla strategy in the face of the acute political rivalries between the nationalist factions. Zipsa has so far eschewed a political role, agreeing to leave the political function to known nationalist leaders.

But as the Geneva conference has progressed and has shown those political divisions to be as deep as ever — Zipsa, from its Mozambique base, has been making an increasing number of

political statements indicating its impatience with all the African delegations in Geneva.

Last week it attacked the so-called representatives of "Zimbabweans" as being virtual tools of "imperialists and their racist allies" and accused them of wanting power only for themselves.

Monday's announcement, broadcast by Mozambique radio in a special English language service for Rhodesia, declared that the "top level delegation" which Zipsa was sending to Geneva would go "not as part of any political faction" but as the representatives "of all Zimbabweans."

Armed struggle

The ramifications of the Zipsa action are considerable. First, its policy is much more radical than any of the nationalist delegations now in Geneva. As the Mozambique radio announcement put it, the presence of a Zipsa delegation in Geneva should not be taken as abandonment of "our primary strategy of armed struggle which is the only viable weapon with which Zimbabwean objectives can be totally realised."

This was "the destruction of the racist, settler, colonial minority regime and the creation upon its ruins of a genuine people's democracy."

Until victory in Rhodesia through armed struggle, and for a rapid settlement which would risk (from their point of view) putting old guard "moderate" nationalist politicians in power there.

proactively small number of guerrillas as, is almost entirely due to his claim to represent Zipsa.

That Zipsa leaders are now maintaining that no nationalist politician represents them is a clear rebuff to Mr. Mugabe, whose position at the conference is thereby greatly undermined.

The ramifications of that could be significant. The frontline African Presidents have supported the Mugabe-Nkomo alliance of the Patriotic Front in the belief that by doing so they would, if and when a settlement is reached at Geneva, be able to sell it to the guerrillas.

That the guerrillas are now apparently denying the political leadership of the Front, and are intent on producing their own much more radical political programme, puts all the discussion in Geneva and the political alliances there back into the melting pot.

It also does something else. For some time now, Western, and in particular British, officials have believed that Mozambique would support any "reasonable" settlement which transferred power to black Rhodesians.

Zipsa's use of Mozambique radio, however, and the similar language it used to that of the ruling Mozambique Frelimo, suggest that Mozambique leaders are torn between their ideological belief in the need for victory in Rhodesia through armed struggle, and for a rapid settlement which would risk (from their point of view) putting old guard "moderate" nationalist politicians in power there.

Until the Zipsa delegation actually arrives in Geneva, the precise effects of Monday's announcement cannot be judged. But in broad terms Zipsa's stand can only throw more doubts on the chances of the conference succeeding in bringing about a peaceful settlement in Rhodesia.

Sino-Soviet border talks resume

By A Special Correspondent

PEKING, Nov. 30.

TALKS ON the disputed Sino-Soviet border area resumed here this afternoon after an 18-month break on the initiative of the Soviet Union. The leading Soviet negotiator Mr. Leonid Ilyichev, who left Peking in May last year when discussions were suspended, arrived back in the Chinese capital on Saturday.

The return of the Soviet negotiators has been interpreted outside China as a sign of an impending thaw between the two countries. But observers within China believe the Soviet overtures reflect more accurately growing Soviet concern at China's nuclear capacity and the post-Mao economic potential China successfully carried out its hydrogen bomb test so far on November 17 and freed from the ideological restraints of Maoist orthodoxy. China's economy is expected to forge ahead despite the threat of more than merely a huge population to the Soviet Union.

Unlike the Soviet Union, China has not slackened its propaganda campaign against its socialist neighbour — only last Sunday the New China News Agency denounced the "new Tatars at the Kremlin" as "foul and outmanoeuvring for arms expansion and war preparation." It said Soviet leaders were meddling in domestic affairs and seeking military expansion all over the world.

A senior Chinese Foreign Ministry official has confirmed that Foreign Minister Chiao Kuan-hua is in political difficulties and undergoing criticism. Reuter reports from Peking.

Mr. Chiao has been absent from the public scene since he received the newly-accredited Mongolian Ambassador on November 11. Officials have until now said he was ill but reliable sources said Mr. Chiao and his wife, Foreign Ministry Asian Affairs Director Chang Han-chih, are believed to be accused in connection with the purged "gang of four" radicals grouped around Mao's widow Chiang Ching.

Japan bank deposit rule delay

BY DOUGLAS RAMSEY

TOKYO, Nov. 30.

THE BANK of Japan is preparing a plan to introduce a reserve deposit requirement on all foreign currency liabilities of commercial banks operating in Japan, according to informed sources here. However, a formal decision to proceed with the plan, which may impose a 3 per cent. deposit requirement on all foreign liabilities, is not likely until January.

Commercial banks have been warned of the pending legislation, which the Bank of Japan wants in order to keep closer watch on overseas lending and to add to its arsenal of liquidity controls inside Japan. The bank's leading activities abroad. Both are goals of the Bank of Japan's pending regulations.

But, for various reasons, a decision to proceed immediately with the deposit requirement has been put off. According to a source inside the Bank of Japan, those reasons include an expectation that a reserve ratio of 3 per cent. will complicate and increase the cost of import financing, since more than 95 per

cent. of Japan's imports are denominated in currencies other than the yen. Such a move would be seen as impeding the flow of imports at a time when Japan is being urged, especially by Europe, to do the opposite.

Another reason for the postponement is that the Bank of Japan wants a further mechanism with which to control liquidity. But introducing a reserve ratio would tighten the money supply at a time when economic recovery is stalled, and the Ministry of Finance is calling for measures for easier credit.

"We have the legal basis to introduce a reserve ratio, but now is not the opportune time," the source said, adding that the procedure completed on November 16 was meant as a "warning" to give banks time to ask questions about the mechanism.

The banking sector itself is dubious about the Bank of Japan's motives. Bankers feel that there are already enough mechanisms with which to control liquidity, and they suspect that the real motive is to control the terms and size of their lending overseas.

Details of the reserve ratio have not been finalised, but private banking sources here have been told that 3 per cent. is not unlikely. It would be particularly onerous on foreign banks operating in Japan which, characteristically, hold 50 per cent. or more of their liabilities in foreign currencies.

But the target of any eventual deposit scheme will certainly be Japan's own banks. At the end of October, net foreign exchange liabilities of the banking sector reached \$14.8bn., almost enough to offset the Bank of Japan's own surplus on reserves of \$16.6bn. Even a minimal deposit ratio would soak up a great deal of liquidity and constrain the bank's leading activities abroad.

Both are goals of the Bank of Japan's pending regulations. But, for various reasons, a decision to proceed immediately with the deposit requirement has been put off. According to a source inside the Bank of Japan, those reasons include an expectation that a reserve ratio of 3 per cent. will complicate and increase the cost of import financing, since more than 95 per

PAPUA NEW GUINEA'S FIRST PLAN

Focus on villages

BY COLLEEN RYAN IN PORT MORESBY

PAPUA New Guinea, in its first attempt at formal long-term planning since independence, has chosen to concentrate on rural development in keeping with its ideal of development from the village level, retaining the traditional communal life of the 3.5 million National Development Plan, to begin in 1978, is based on the assumption that self-employment is the only way that most of the workforce will be able to earn a living.

With one of the highest rates of population growth in the world (currently 3 per cent.) the Government will give highest priority to maintenance of subsistence production through the up 80 per cent. of Government spending, but still far too heavy reliance on its present stage of development.

The Government is now trying to reduce its dependence on outside help, both by promoting a few large projects for the exploitation of natural resources, such as the Bougainville Copper project, and by encouraging private investment. After Kenia copper withdrew last year from talks on exploring western Papua, Broken Hill Proprietary has recently reached an agreement with the Government to allow for further exploration with the possibility of production.

"I think the village should remain the most important community unit," says Mr. Somare, the Prime Minister. However, the structure of the economy may hamper the Government as it tries to realise these ideals. It depends on Australian aid for 40 per cent. of its annual revenue, while 20 per cent. of total domestic revenue comes from taxation royalties and dividends from the Bougainville Copper project.

Moreover, the country is burdened by the Australian legacy of a heavy bureaucratic structure, lightened a little since 1964 when administrative costs took priority to maintenance of subsistence production through the up 80 per cent. of Government spending, but still far too heavy reliance on its present stage of development.

Under a new National Investment Strategy announced at the week-end, the Government is also looking for foreign funds to develop agricultural projects. It wants to encourage private sector industry as well, both in the processing of raw materials and

in areas where it can substitute for imports.

How successful it is in achieving these goals will depend on the incentives attractive to both foreign and local capital. It is by no means clear in detail what is meant by the state holding a sizeable equity stake in mining, petroleum, timber or agro-business projects.

However, after the stormy negotiations in 1974 with Rio Tinto Zinc over the Bougainville copper project, it is a promising sign of a new pragmatism that the Government recently reached agreement with seven oil companies, including Exxon, which will give it 60-80 per cent. of revenues from any future commercial oil discoveries.

The agreement with Exxon and with Broken Hill Proprietary embodies the concept of an additional profits tax, which is standard practice in natural resource agreements and is intended to ensure that the large share of the profits in excess of a reasonable return shall accrue to the people of PNG.

In the case of Oka Tedi it will come into force after 20 per cent. return on capital has been reached and be applied, on the basis of current tax rates, at 33 per cent.

Economic guidelines laid down before the latest strategy was announced, such as the Eight Point Improvement Programme on self-government set out by Mr. Somare in 1972, emphasised rural development, decentralisation, equal distribution of benefits, and self-reliance. But a relative lack of development in rural areas in recent years has been aggravated by mounting inequalities and population pressures. The disparity between rural and urban wages has widened dramatically, causing a population drift to urban centres with insufficient employment opportunities for the influx.

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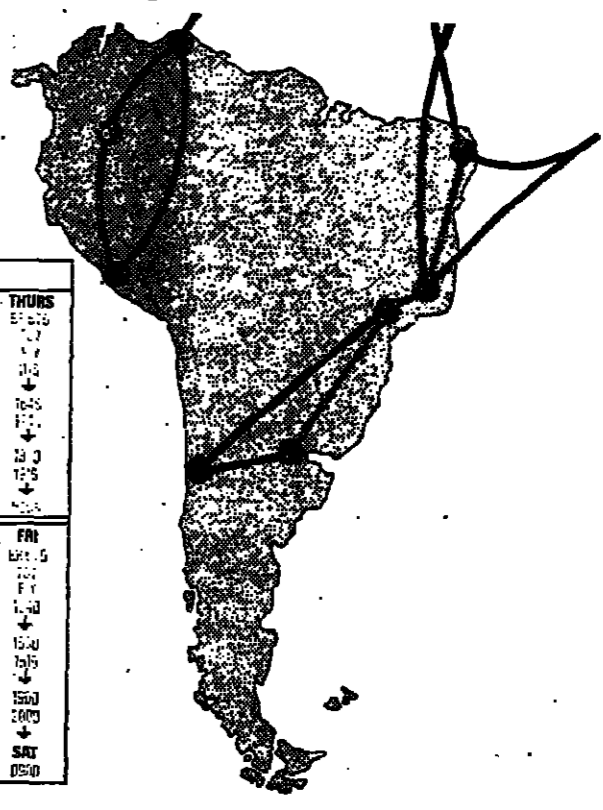
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HOME NEWS

Commission rejects gambling levy to aid sport

BY MICHAEL THOMPSON-NOEL

FURTHER AID for sport from gambling revenues has been turned down at least for the time being, by the Royal Commission on Gambling. Its interim report, published yesterday, rejects the idea of a general levy on gambling, or a tax on football pools prize winners, to boost sport.

But the Commission said that it would return to these and similar themes in its final report, expected late next year.

The Commission, headed by Lord Rothschild, was set up in February to review the gambling industry.

Yesterday's report concentrated on the football pools as a source of raising extra money for sport, and temporarily excluded the possibility of lotteries.

It rejected the idea of a special levy on the Pools Promoters' Association and said that investigation "did not disclose any evidence of inefficiency or extravagance in the running of the business, nor suggest that profits were exceptionally high."

Opposed

The report implies that the financial management of Football League clubs is not what it should be, and Lord Rothschild said later that the finances of most clubs were probably not as precarious as usually thought.

The Commission said it would be difficult to justify applying the proceeds of a pools levy to anything other than football, and said that the PPA was firmly opposed to a levy.

"They regard their payment of £2m. a year to the Football League and the £800,000 to the Football Grounds Improvement Trust as their voluntary contribution to sport."

It may be that they would be willing to make further, relatively small, contributions. This is a matter which we hope to explore further."

A recent Gallup Poll had

shown that 37 per cent. of the adult population would at some time fill in a pools coupon, compared with the 12 per cent. who visited betting shops or played bingo. As the most popular pools stake was 22p weekly, the pools were socially harmless.

The Commission makes it clear that the Chancellor is the main beneficiary of the pools. Last year, pools turnover was £18m. In 1975-76, 40 per cent. of pools stakes went in tax (compared with 25 per cent. ten years previously). The remainder went to expenses, 29 per cent. (26); operators' profits, 3 per cent. (3); and prizes, 28 per cent. (41).

The P.P.A. contends that pools turnover is sensitive to any fall in the size and number of prizes and that the prize fund has already fallen to a dangerously low level, mainly because of increased pools tax.

Any attempt to extract further money from the pools promoters, they maintain, would create a self-accelerating trend towards reduced turnover and smaller prizes.

The general reaction to the interim report is that it is notable only for its negativity. Mr. Ted Croker, secretary of the Football Association, said yesterday: "I can't believe it."

He could not comment fully until he had read the report, but his suggestion that no extra money should be raised for soccer from gambling left him "staggered."

Special sports issue of stamps

SPORTS which originated in Britain are the subjects of four special stamps which will be issued by the Post Office on January 12.

The stamps will show lawn tennis, table tennis, squash and badminton.

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BP subsidiary to spend £145m. on new cracker

BY RHYS DAVID, CHEMICALS CORRESPONDENT

BRITISH Petroleum's Dutch subsidiary, Raffinaderij Nederland, will spend £145m. on a new catalytic cracker for oil refining at its Europoort refinery, in Rotterdam.

The plant, which is due for completion in the fourth quarter of 1979, will have a capacity of 40,000 barrels a day but is not intended to increase overall capacity at the refinery.

The cracker will enable BP to offer a different product mix from the refinery, concentrating more on products for which demand is expected to grow most strongly.

At present Europe's oil refineries are running at about 70 per cent. capacity, largely as a result of greatly reduced demand for heavy fuel oils

used by industry and for power generation.

Demand for heavy fuel oil has been heavily cut as a result of lower levels of industrial production and efforts to reduce consumption since the oil crisis.

The new cracker will enable BP to increase its output of lighter products, including motor spirit, where continued growth in demand is expected throughout the 1980s.

Lebanese war

In another oil development yesterday BP and Shell announced that the marketing operations of their subsidiaries in Lebanon would be transferred to their employees.

Shell U.K. said the peculiar circumstances of the Lebanese civil war had led to the de-

cision. The arrangement has the approval of the Lebanese Government.

The company declined to disclose the value of the deal, but said it was "a fairly small operation."

Under the agreement employees of the two companies, previously units of the Royal Dutch/Shell group and British Petroleum Corp., have acquired all assets and obligations of the operations with the freedom of choice to accept the shareholding or resign. The number of employees involved was not disclosed.

The companies will continue to market petroleum products, including petrol and aviation fuel, under licence from Shell and BP. They have also entered into services and technical assistance agreements with Shell and BP.

Stratos of Sandro Munari—Lancia has already won the Manufacturers' World Championship—was fourth, 54 seconds behind Waldegaard.

Leyland officials were delighted that the surviving Triumph TR7 of team captain Brian Culcheth, which had been running all day with only three of its five gears working, finished in second place overall.

Culcheth's team-mate, Tony Pond, who at one stage had surprised the entire rally by forcing his red, white and blue sports car into second place, had to retire with suspension problems deep in Wales.

But Pond said yesterday that considering the TR7 was still in its early stages of rally development, its potential for next season was great.

"Before we set out we said we wanted the TR7 to cause a stir in the forests, and that is what we have achieved."

The lone, wedge-shaped Lancia

most and mountain terrain in England and Wales.

Clark's victory provides an unprecedented fifth win in a row for Ford. Clark won in 1972, but for the next three years the event was dominated by the "Flying Finn" Timo Makinen.

Makinen's own bid for a record four successive wins, on his last drive for Ford in an association lasting nearly a decade, was cut short by a 100-mile-a-hour roll on only the second of the Rally's 76 special stages.

The works Saab of Stig Blomqvist, the experienced Swede, was second, four minutes behind, and the Escort RS1800 of Einar Waldegaard, another Swede, third.

With Irishman Billy Coleman in yet another, very badly battered Escort in fifth place, Ford has beaten off major challengers by top teams from Fiat, Saab and Opel.

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Roger Clark wins RAC Rally

BY JOHN GRIFFITH

BRITAIN'S Roger Clark last night won the Lombard RAC Rally in his works Ford Escort RS1800 after a dramatic final day.

The front-runner for most of the 1,500-mile round Britain tour, Pentti Airikkala of Finland, broke his clutch only three stages from the finish.

But even if he had finished, Airikkala's chances of winning were almost nil. After engine trouble on Monday, an all-night session of rally officials declared him one minute past maximum lateness when arriving at Weston-super-Mare. He was allowed to continue while his protest was being considered.

Clark led into Bath a field of only 75 out of 200 starters after the crew had experienced some of the worst weather in recent years.

There were two night of gales, driving rain and snow, decimating the entries as competitors battled through 370 miles of

most and mountain terrain in England and Wales.

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Government 'muscle' needed to halt race discrimination

BY DONALD MACLEAN

A NEW call for the Government to use the way it allocates contracts to fight racial discrimination was made yesterday by Sir Geoffrey Wilson, chairman of the Race Relations Board, in presenting the Board's winding-up report for the 18 months to the end of June.

There was, he claimed, an attack on Government policy, "little will to take positive action to eradicate racial discrimination, although the vast majority of people regarded it as morally and socially repugnant."

People in a position to discriminate were unlikely to take action unless the consequences of inaction were seen to be more troublesome.

"I would hope that politicians, both national and local, employ the unions and others with influence on situations in which discrimination can occur which can be a great deal braver than they have been hitherto in taking positive steps to end it."

Parliamentary responsibility for Government, which itself recognised this, "at any rate in theory," having said last year that a wide range of administrative and voluntary measures was needed, was given practical effect to objectives of the law.

We wish that the Government and local authorities would

act on this message with greater to use the way it allocates contracts to fight racial discrimination. Neither the Board nor the Race Relations Committee, on Geoffrey Wilson, chairman of the Race Relations Board, in presenting the Board's winding-up report for the 18 months to the end of June.

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'Union' plan by State Board chiefs

BY ROY HODSON

MOST of the 120 Board men of the State Industries, who between 1960 and 1969, are expected to meet in London next 2 to form something resembling trade union to press their claims.

The Board members are at their pay freeze, which lasted for four years in nationalised industries, have been encouraged by action of the Cable and TV directors who threatened month to resign over their pay.

The members plan a national organisation with a first step of opening paid talks with Government on behalf of State Board members.

At two private meetings London, each attended by 60 Board members, they chosen the title, Association of State Board Members.

Discussions have been with the exclusive club of their Chairmen, the N. A. S. Industries, Chair Group. This is recognised by Government and has a full director, Mr. James Driscoll works from the British Corporation headquarters.

Rises refused

Some State industry chair understood to be towards the proposed association of their Board members, the promoters claim that majority are sympathetic to them.

The initiative came North-West England. Mr. Dadd, chairman of Mersey and North Wales Area Electricity Board, and Mr. Dennis, chairman of the North-West Electricity Board, are respect acting chairmen and active members of the association.

Had the 1974 recommendations of the Review Body on Salaries chaired by Lord Sargent implemented, they have received rises of £4,000. The Government will allow the Boyle recommendations.

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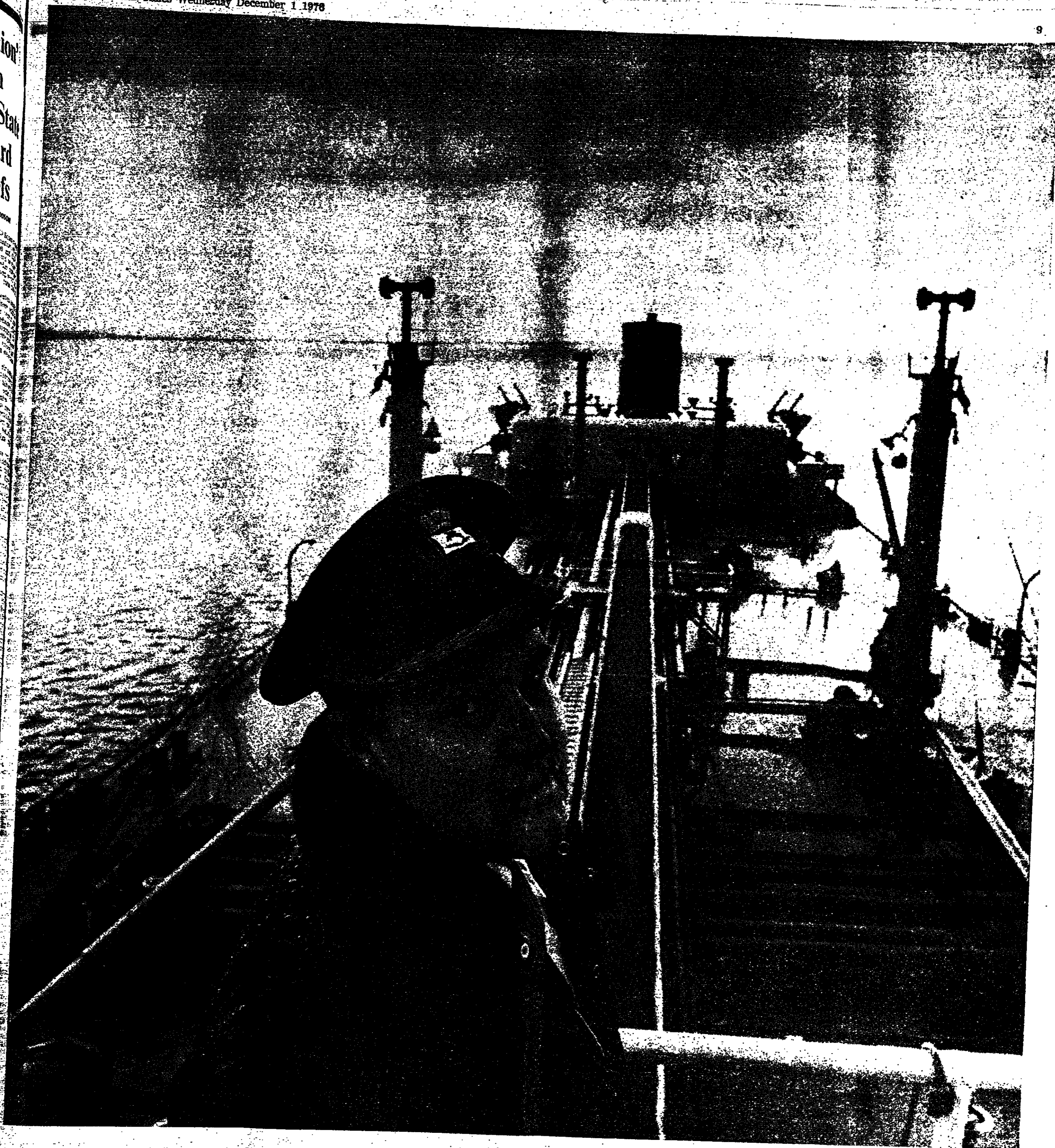
le 'Union'
plan
by State
Board
chiefs

BY ROY HODSON

ROSEY TUBER

FORMS

m



Photograph, Gus Wylie

David Anderson: "at home" in the North Sea.

For most people, the North Sea is not the most inviting stretch of water in the world. But Captain Anderson grew up in the Shetland Islands. It's home to him. So is a tanker like the one you see him on here.

David Anderson has been on tankers since the end of the second World War. He's served as a Mobil master for more than 16 years. He has sailed all over the world; but the trips he's making now in his home waters are among the most important of his long seagoing career.

The captain's current assignment is to bring North Sea oil from the Beryl A platform, about 100 miles southeast of his own Shetland Islands, to British ports. These shipments from Beryl A began this autumn. When all the wells have been drilled and everything is humming along at peak rates, Captain Anderson's tankers will be delivering about 5% of Britain's oil needs. That's a sizeable amount. And together with all the other oil coming in from North Sea fields, it represents a very

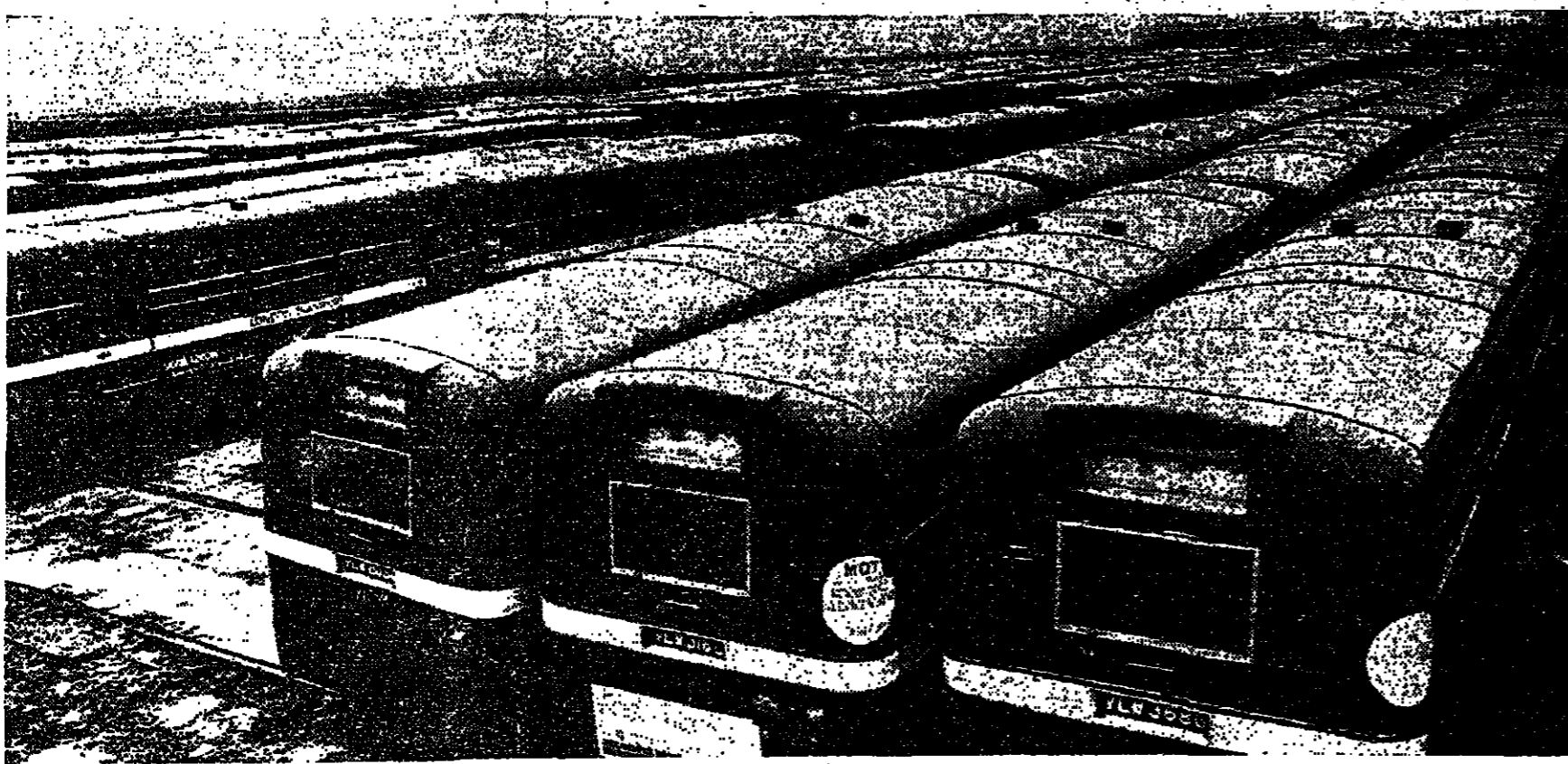
promising start on petroleum self-sufficiency for this country.

Some of the oil will come in by pipeline, but a good share will be carried on tankers like Captain Anderson's.

Whichever way it arrives, it will be welcome, we know. We're happy to play a part in North Sea production, and glad we have skilled professionals like David Anderson to bring the oil home.

Mobil

HOME NEWS



Leonard Barr

Tennis prize money goes up

By John Barrett

THE HAPPIEST PEOPLE at next year's Wimbledon will be the players. The All-England Club is to add £30,000 to the 1977 Championships, making a total of £218,355. Less happy will be the customer at the turnstiles, who will find ticket prices about 10 per cent dearer.

Sir Brian Burnett, chairman of the All-England Club and of the joint championship committee, said in London yesterday that women would still average 80 per cent of the men's prizes — which they did last year.

With the approval of the Women's Tennis Association, whose threat to boycott next year's meeting has evaporated, the differential has been narrowed at the top and widened at the bottom.

Thus the lady champion's £13,500 will be 90 per cent of the £15,000 men's prize, and the £150 to be given the women who lose in the first round three-quarters of the men's £200.

Extra funds

The 125 men will divide £116,850 next year, against £57,650 last time, and the 98 women £57,490.

Next year's prize money increases will be met from the extra funds created by selling the concessionary rights to the companies supplying goods and services to the championships. After two years, the fund is already providing a healthy six-figure sum annually.

The extra spending associated with the centenary celebrations will be met by a 10 per cent increase in ticket prices.

A centre court seat next year will cost £4.50 against £4.40 this year, and a No. 1 court seat £2.50 (£2.70). A daily ground admission ticket will remain £1.50 after a 5 p.m. probably the best bargain at any major sporting occasion.

The customers will notice several improvements on the ground. Besides a complete re-land and re-surfacing of the stadium, the size of the public lawns will be doubled by extending into Atrium Park, the neighbouring ground which the New Zealanders rent from the All-England Club.

Solvents up

Even Chemical has increased the prices of all its grades of Alkylate solvents by 30 per cent, according to the company.

The increases, depending on grade of solvent, range from 5 per cent to 10 per cent.

The company blames the increases on the continued rise in costs in recent months.

Homes setback underlines fears for next year

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE HOUSE BUILDING programme suffered its worst setback for more than 18 months in October. Work on houses for both the public and private sectors fell dramatically and helped to confirm the industry's fears that next year could be one of the worst on record.

Provisional estimates prepared by the Department of the Environment suggest that work started on fewer houses in October than in any month since March 1975. Completions, though not quite so disappointing, also fell.

House builders have been saying for months that the continuing recession in the housing sector seems set to grow even worse as mortgage funds become more restricted and public expenditure cuts reduce the local authority house building programme.

According to the housing sector the number of private homes on which work will start next year could fall to about 120,000 or less from an estimated 160,000 this year. Council housing starts this year should reach about 170,000. The total will certainly be lower next year.

This year the number of private houses completed is likely to be about 160,000, a near repeat of last year. Council house completions this year are

expected to be 165,000, slightly higher than last year.

According to the preliminary figures from the Department of the Environment, a start was made on only 11,500 council houses in October against 13,500 in September.

The picture was even less encouraging in the private sector, where work started on 10,000 homes, against 15,200 in September. This was the lowest monthly total since March last year when 9,700 private houses were started.

A total of 13,500 council houses were completed in October, compared with 16,100 in September. Private house completions fell from 14,500 in September to 12,000.

Renovation

The department calculates that taking three month totals to reduce the effect of monthly fluctuations, total housing starts in the August-October period were 11 per cent down on the preceding quarter and also 11 per cent lower than a year earlier.

Total completions, however, were 2 per cent higher than in the previous three months but 2 per cent lower than in the same period last year.

In the three months ending in October, house renovation grants for 32,400 homes were

approved in England and Wales compared with 33,500 in the same period 12 months earlier.

Other figures released yesterday by the department showed that brick production in Great Britain fell to 479m in October from 494m in September. Output in October last year was 485m.

October deliveries totalled 455m, against 504m in September and 538m, a year earlier. Brick stocks at the end of October were 432m, an increase of 24m, from September.

Cement deliveries in October in the U.K. averaged 289,000 tonnes a week against 305,000 in September. Production fell from 314,000 tonnes a week in September to 289,000 tonnes.

Michael Dixon, Education Correspondent writes: The safety record of the construction industry was criticised by Mr. John Golding, Parliamentary Under-Secretary for Employment, yesterday during a visit to the Construction Industry Training Board's centre at Bircham Newton, Norfolk.

He said that he was shocked to learn that deaths had increased by 20 last year to 181, and reported accidents by 3,000 to 35,000. This alone justified the emphasis which the Board's training programmes placed on safety requirements.

The council's record of student demand up to November 15 showed a significant gain in the popularity of bachelor-level university courses in mechanical engineering, business management, accountancy, agriculture and forestry.

There has been a corresponding increase in the popularity of undergraduate courses in geography, psychology, sociology and history. The demand for other subjects is much in line with that of last year.

It was also announced yesterday that student enrolments in the polytechnics for the present year were generally about 11 per cent higher than last year. The increase was much the same both for science-side and arts-side courses.

When part-time and short courses are included, the total student population of the polytechnics in England and Wales is estimated to be about 200,000, compared with roughly 217,000 in 1975-76.

Significant

Tuition fee levels could not be expected to have any significant effect on home demand for the courses, because where the bulk of British undergraduates are concerned the fee adjustment is likely to be about 2,000 more than the 20,500 who applied for this year's bachelor-level university courses, of whom 8,076 were admitted.

Because only a minority of foreign students are paid for by overseas aid programmes, large numbers of foreign candidates are evidently undeterred by the prospect of meeting a rise in their average tuition fees from the present £418 to £550.

The 1950 figure, nevertheless, is only a fraction of the average per capita cost of the courses which, in science-side subjects, is often more than £4,000 a year.

The council also suggested that British candidates for the university bachelor-level courses were up by nearly 10 per cent on November 15.

On that date the tuition fee charged on behalf of British undergraduates was scheduled to rise next year to £550. The Government, announced on November 23 that the increase was being modified to £500.

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These 200 London Transport buses in storage at Radlett aerodrome, near St. Albans, are looking for an overseas buyer.

Bought in the late 1960s, they have been retired after only eight years' service because they were unreliable and at 36 feet, too long for many London routes.

London Transport has already found buyers for 100 of the AEC Merlin MB buses and scrapped another 100. It is sending the purchase at what proved to be a fleet of red elephants on the grounds that when one-man bus operation first became feasible, the Merlins was the only suitable single-deck vehicle that could be supplied in sufficient numbers.

The Government at that time does not allow double-deckers to be used on one-man routes.

Changes urged in Army methods

By Michael Donne, Defence Correspondent

A REVIEW was recommended yesterday of the Army's methods of arranging soldiers' tours of duty with the aim of reducing the amount of upheaval which troops and their families have to bear each time a posting comes around.

The recommendation is in the report of the Army Welfare Inquiry Committee, set up by the Government under the chairmanship of Professor J. C. Spencer, to study ways of easing the social and domestic difficulties of soldiers arising from the existing methods of running the Army.

The report, which has 72 recommendations, suggests that an average posting of three years' duration would reduce the amount of upheaval in a soldier's life.

Report of the Army Welfare Inquiry Committee, 1976: S.O. 22.60.

Full health cover for Spain trips

By Eric Short

BRITISH TOURISTS to Spain will be able to take out complete medical and travel insurance under a contract, Insu-Spain, developed by Trafalgar Insurance Company, a member of the Cornhill Insurance Group, and ASTES, a consortium of nearly 100 Spanish insurers sponsored by the Spanish Government.

The policy provides the usual standard travel insurance benefits such as loss or damage to luggage, loss or theft of currency and cancellation of holiday. It covers unlimited medical aid, regardless of financial limit and age, while in Spain. This is available from any Spanish doctor, hospital or sanatorium.

Payment for medical treatment is by vouchers issued by the consortium and included in the travel insurance document.

Doctors are accepted by almost all doctors and medical establishments in Spain, but the holidaymaker cannot get them accepted as payment, he can claim a refund from the nearest ASTES branch. These are in the provincial capitals.

Electricity goes up on Jan. 1

By Roy Hodson

ELECTRICITY PRICES will rise by an average of just under 1 per cent on January 1.

Daytime electricity goes up to 2.33p a unit and night electricity rates by 1.75 per cent, above present levels.

The increases result from the usual quarterly fuel cost adjustment by the electricity industry, formally approved by the Price Commission.

The Electricity Council said earlier this year that fuel adjustments amounting to retail price increases for electricity of approximately 2 per cent were to be expected in 1976-77. A 1 per cent increase was made in this quarter.

LABOUR NEWS

Union proposes takeover of phone manufacturers

BY CHRISTIAN TYLER, LABOUR STAFF

STATE CONTROL of the British telecommunications manufacturing industry through the National Enterprise Board is proposed to-day by the Association of Scientific, Technical and Managerial Staffs.

ASTMS, with 20,000 members in the industry, says the telecommunications divisions of the main U.K. manufacturers should be put together to form a State-controlled company which it would call British Telecommunications.

A policy document being sent to Ministers, MPs and manufacturers suggests that the Post Office's monopoly in telecommunications ordering has stifled innovation and development, among the main manufacturers, GEC, Plessey and Standard Telephones and Cables, the British subsidiary of the U.S. multinational ITT.

A State interest, according to ASTMS, should stimulate development of electronic telephone exchange systems and related systems. The document accuses the Post Office of erratic ordering and a dilatory approach to its System X electronic switching programme.

The background to the ASTMS proposal is that a cut in Post Office equipment ordering could mean the loss of 15,000 jobs by the end of 1978, on top of declared redundancies of 10,000 since last autumn.

The unions says that two-thirds of the 75,000 jobs in the industry could be maintained if its policy is adopted. But it says a move must be made soon if Britain is not to lag behind in telecommunications technology and in particular to compete with the Swedish AXE and U.S. Meta-

switching systems. British manufacturers had in the past made "healthy profits" as contractors to the Post Office. Now the picture was much less bright.

Introducing the document yesterday, Mr. Doug Hoyle, ASTMS vice-president, and Labour MP for Nelson and Colne, said the manufacturers might now be prepared to consider his union's proposal.

He said it would be wrong to allow the Post Office to move into manufacturing and installation itself. The State company would ensure some "creative tension" in the industry could be maintained. Other union executives are also debating the proposals later this month, and in early January before the final draft is submitted to the Treasury. The Treasury inquiry into public sector industrial management is expected to consider the terms of a working party set up to review their concern over manpower cuts, which has led to a ban on statistical work.

Civil Service leaders outline industrial democracy plans

BY OUR LABOUR STAFF

LEADERS of the main Civil Service unions yesterday put the finishing touches to their draft plans for industrial democracy in their service through the existing Whitley Council negotiating machinery.

But their draft proposals have already been privately criticised by some union officials for not going far enough to achieve industrial democracy.

The national executive of the Institution of Professional Civil Servants, representing senior grades, is among the first of the union executives to consider the proposals.

Although the 26-strong executive endorsed the draft, it was only after Mr. Bill McCall, IPCS general secretary and one of the

architects of the draft, persuaded his colleagues on the need for a gradualist approach towards industrial democracy.

The draft prepared jointly by union general secretaries, urges refinements in the existing Whitley Council machinery to end minor abuses such as local management over-riding national agreements.

But it also calls for some experiment in giving the unions a greater say on the management of Government departments.

It is a more positive commitment to representation on management Boards which some union officials are seeking.

The Civil and Public Services Association, the largest of those unions, is to consider the draft

later this month and is expected to endorse the proposals as their ideas are similar to the CPSA's. Other union executives are also debating the proposals later this month, and in early January before the final draft is submitted to the Treasury. The Treasury inquiry into public sector industrial management is expected to consider the terms of a working party set up to review their concern over manpower cuts, which has led to a ban on statistical work.

CPSA officials in the Department of Employment met yesterday to consider the terms of a working party set up to review their concern over manpower cuts, which has led to a ban on statistical work.

The CPSA has already agreed to join the working party but wants certain points clarified by the Department before it decides whether to call off its industrial

Union vote complaint rejected

By Our Labour Staff

MEMBERS of the Amalgamated Union of Engineering Workers executive yesterday rejected complaints by Mr. Jimmy Reid about the conduct of an election in which he was defeated by 81 votes.

The executive yesterday considered a letter from solicitors acting for Mr. Reid, whose narrow defeat by Mr. Thomas Douglas in the election for Scotland in 1974 was declared last month. Mr. Reid has claimed that some members did not receive ballot papers, while other non-members did.

However, the executive decided to take no action on the complaint. Mr. Len Edmondson, residing in the absence of Mr. Hugh Scanlon, said no complaints about the conduct of the ballot had been received during the time allocated under rule.

The man with the majority of votes was declared elected and he has received no evidence to interfere with that in any way whatsoever.

Ship repair company seeks redundancies

By Roy Rogers and John Wiles

BRISTOL CHANNEL Ship Repairs, the Government's leading antagonist in the ship-repairing, nationalisation battle, is suffering a severe shortage of work at one of its main dry docks, largely because of an industrial dispute.

The company is calling for voluntary redundancies among the 100 workers at its Swansea dry dock because of a clash which it claims has cost Bristol Channel Ship Repairs £100,000.

The company has been sorely harassed by the dispute since its case against nationalisation has rested partly on the threat to its good industrial relations record.

Earlier this year, the company captured a major oil firm contract for repair and maintenance of four vessels. This would have guaranteed work at its Swansea yard until next March but, according to

Mr. John Servot, Bristol Channel's managing director, the contract has been lost because of the dispute which applied completion of work by 34 days.

Details of the dispute are obscure but it is believed that up to 150 men working a night shift on the vessel left work 11 hours early. They were issued with written warnings which met objections from groups of men who demanded that the management soften the wording. When this was refused a ban was imposed on overtime, which seriously delayed completion of work on the ship.

According to the company, the Swansea dock, which has a work schedule or in prospect. Confederation of Shipbuilding and Engineering Union local officials are to meet management next week to discuss early retirement measures and lay-off pay.

Jobless young strain budget for education

By Michael Dixon, Education Correspondent

THE STATE education budget is having to support an unexpected increase of about 50,000 teenagers staying on at schools and colleges because of the shortage of jobs, Mrs. Shirley Williams, Secretary for Education and Science, told a TUC deputation in London yesterday.

The increase was one of the reasons why the Government could not meet the TUC's call for extra educational expenditure on maintenance grants for sixth-formers from poor homes and courses for adults.

The deputation said the TUC was awaiting the response of the university vice-chancellors' committee to proposals for admitting more adults to degree courses, especially in science and technology.

Rubery Owen peace move by union leaders

BY OUR LABOUR STAFF

SENIOR trade union officials there today.

The members demand £10-a-week wage increases and have rejected all calls from management and unions to discuss the component supplier. The strike claim, which is outside the pay has made more than 5,000 car policy. Union officials will make another attempt to get to the next on Friday when their next meeting is due.

At Ford's Dagenham body plant, 150 toolroom workers at senior shop stewards at the strike and put the issue colleague for bad timekeeping. The strikers claim that inadequate car parking at the factory is often the cause of late-

ness. Leyland, has been worst affected by the Rubery Owen strike now in its second week. The situation is becoming critical at Chrysler's Danaburk truck plant, and lay-offs may begin in-

ing work to "wives and friends".

Unity bid on power generating

BY MAX WILKINSON, INDUSTRIAL STAFF

LEADERS of unions representing 64,000 workers in the heavy power generating industry are meeting in London to-day to try to resolve differences in their appeal for Government aid.

The meeting follows marked disagreements between joint union committees in different companies, particularly on whether the Government should order a £500m. coal-fired power station at Drax, near Salby, Yorkshire, before it is needed.

The unions at Babcock and Wilcox's Renfrew boiler-making plant insist that the station must be ordered immediately as first aid to prevent the rapid collapse of their industry. They will follow the lead of their management in demanding that the order must be placed without any of the normal delays for tendering and specification.

The Tyneside union delegates, from C. A. Parsons, turbine generator makers, and Clarke Chapman, boiler-makers, will

support this demand.

But the GEC delegates will put more emphasis on increasing maintenance contracts and order advanced prototypes for involvement by the National Enterprise Board.

The GEC unions are likely to be in some conflict with the for a new power station only others over the future of Britain's £150m. would be spent in this industry. Most of the rest would go on bricks and mortar and site works.

Flexible

"We feel the money would be better spent on refurbishing the existing coal-fired power stations. But the unions from the other companies know what is necessary to safeguard their jobs. We are prepared to be flexible in trying to reach an agreed policy."

The unions are likely to be united in opposing a merger of turbine generator companies. They want the Government to work out a coherent strategy head of GEC. They fear that any policy for the next ten years

such merger would lead to loss of jobs. Instead they will press for nationalisation of the industry, or a rationalisation with heavy involvement by the National Enterprise Board.

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Scientific intolerance 'in the U.K.'

BY DAVID FISHLICK, SCIENCE EDITOR

A WARNING that even Britain was not free from intolerance towards scientists who presented results at variance with politically preconceived notions was given by Lord Todd, President of the Royal Society, in his annual address in London last night.

Lord Todd was responding to those who had urged that the Royal Society should publicly associate itself with protests to Governments accused of persecuting individual scientists.

The temptation to support and control science in the interest of national political aims had grown apace. Tolerance and freedom from persecution could no longer be taken for granted.

Lord Todd, speaking on freedom in science, condemned the decision of Unesco to withhold financial support from any scientific meeting which allowed participation by scientists whose governments were unpopular with the majority of its member-states.

"Here is something which is in my view totally contrary to the spirit of the United Nations and is a threat to the freedom of science which should be resisted by every scientist, whatever his nationality."

Such "flagrant examples of intolerance" as the promotion in Russia of the ideas of Lysenko for political reasons, and the concomitant suppression of work on genetics, might be rare. But persecution of scientists on political or racial grounds had occurred in recent times in the U.S. during the McCarthy investigations, in Nazi Germany, "Nor would we think that we in Britain are free from such intolerance."

In what was clearly a reference to Prof. Hans Eysenck, Lord Todd said that demonstrators in London had recently prevented a well-known scientist from presenting and discussing his results simply because they believed that he might reach conclusions at variance with their politically preconceived ideas.

Many people, especially the young, felt disappointed, frustrated and let down by the society in which they lived, and many cast science in the role of scapegoat. This was not just wrong.

It was dangerous if it led to a kind of swing away from science by young people

entering higher education in many advanced countries.

Standards of living could not be maintained except through science, through the application of the scientific method and the results of scientific research to practical ends or, if you will, through technology and technological innovation. This was true of environmental as of industrial problems.

"The real reason for most of our troubles lies not in science but in our social and political ineptitude when it comes to realising the potential of the advances which science has made and continues to make."

As a result, we lived in a turbulent and unhappy world, with deep divisions between nations, which had inevitably led to increasing secrecy and mutual suspicion.

Secrecy had always been the enemy of scientific progress but it was "manifestly absurd in the imperfect world in which we live to appeal for the total abolition of secrecy and for the free and untrammelled circulation of all new knowledge."

One could hardly envisage abandoning all secrecy in defence research, or the free publication

of all results obtained in the search for new drugs.

"The existence of patents, of course, underlines the general acceptance of at least temporary rights of a proprietary nature in the results of research."

Lord Todd distinguished between two kinds of activity "usually lumped together under the heading of research." What was usually called "pure" research was typically concerned with advances in an understanding of the natural world.

As a general rule it was not undertaken in pursuit of any specific economic objective, and was characterised by a high creative content. Here, secrecy should at all costs be avoided.

But the case was rather different for applied research or research undertaken to solve particular problems, usually of an economic or military nature with a view to technological innovation.

Definitive draft plans published

AFTER ALMOST 30 years of debate, the accountancy profession today publishes draft definitive proposals on accounting for inflation. The proposals, in a document known as Exposure Draft 18, or ED 18, have been prepared by a steering group chaired by Mr. Douglas Morpeth and are essentially based on the report of the official Sandilands Committee of Inquiry, published in September, 1975.

The Government announced yesterday that it is supporting the implementation of the new system.

Comments on the proposals must be made to the Accounting Standards Committee by May 30, 1977. A definitive statement of standard accounting practice is expected to be published on January 31, 1978, for implementation in company accounts in four stages, starting with the largest organisations, for accounting periods beginning after July 1, 1978.

ED 18 is a compromise between the Sandilands recommendations and the accountancy profession's earlier preference for the current purchasing power method of accounting for inflation. ED 18 is put forward as a first step only in the development of a system of current cost accounting and further refinements are expected over the next five years.

Steering group's brief guide

1. Object of this Guide
The object of this Guide is to provide businessmen and others with a brief, quickly readable guide to the main points in the Exposure Draft on Current Cost Accounting (CCA), to which reference should be made for details.

2. Need for CCA
The continuing and high rate of inflation in the U.K. has rendered accounts prepared on the basis of historical cost less and less capable of conveying a true and fair view of a company's current financial position. This has so reduced the usefulness of such accounts to management, investors, employees and others that a major change in accounting practice has become necessary.

Historical cost accounts have always suffered from the failure to show the impact of changing price levels, but in recent years the rate of inflation has made it essential to remedy this defect. The nature of the necessary change has been debated within the accountancy profession for many years and a number of solutions have been put forward. However, the recommendations in the Sandilands Committee's report for the introduction of a system of CCA were broadly accepted by the Government and the Committee of Accountancy Bodies last year, and the Exposure Draft is based on these recommendations.

3. Management's Needs
Management needs up-to-date information on true costs and values for the management of a business. The system of current cost accounting described in the Exposure Draft will help to provide such information in the management accounts of companies and in their published annual accounts.

If more realistic information is to be available to management than is provided by historical cost accounts, the change to current cost accounting needs to be made at the management accounting level.

It would not be adequate merely to provide adjustments in an historical cost system once a year in the annual accounts.

4. Major Improvements
The introduction of CCA will lead to five major improvements by comparison with the present historical cost system:

(a) Depreciation will be calculated on the value to the business of the assets concerned and not on their historical cost and will thus give a more realistic measure of the cost of resources used.

(b) Cost of sales will be calculated in most cases on the cost of replacing the goods sold and not on their original cost.

(c) There will be a new statement in the annual accounts—the Appropriation Account—in which there will be brought together the current cost profit, the revaluation surplus, the amount which the directors consider should be retained within the business having regard to their assessment of its needs and dividends.

(d) The balance sheet will show current values for most assets and will no longer show their historical cost.

(e) The statement on the change in the amount attributable to ordinary shareholders—the equity interest—after allowing for the change in the value of money will clearly show how the company has performed in relation to the rate of inflation and will also show its losses or gains from the holding of monetary items.

CCA will provide both management and the users of published accounts with more realistic information on costs, profits, the value of assets and the return on capital and on assets.

CCA also provides a distinction between the profit arising from the operations of the business and the gains resulting from changes in the price of a company's assets. This more realistic picture should enable a clearer picture to be obtained of the relative performance of:

(a) Managers and products within a company;

(b) Different companies; and

(c) Different industries, and should help to lead to better decisions being taken in such areas as pricing, cost reduction, levels of remuneration, dividends, gearing and borrowing levels, and on the allocation of resources between and within companies.

**X LTD. AND ITS SUBSIDIARIES
YEAR ENDED 31st DECEMBER 1975
CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	See Note	£000s
Turnover	X	X
Operating profit/(loss) for the year	1.	X
Interest payable less receivable		X
Share of profits/(losses) of associated companies		X
CURRENT COST PROFIT/(LOSS) BEFORE TAXATION AND BEFORE EXTRAORDINARY ITEMS		X
Taxation	2.	(X)
Minority interest		X
Current cost profit/(loss) before extraordinary items		(X)
Extraordinary items (net of tax and minority interest)	3.	X
CURRENT COST PROFIT/(LOSS) FOR THE YEAR		X

CONSOLIDATED APPROPRIATION ACCOUNT

Current cost profit/(loss) for the year	4.	X
Net surplus for year on revaluation of assets		(X)
Appropriated to revaluation reserve*		X
Available for distribution and general reserve		X
Dividends		(X)
Added to/(deducted from) general reserve		X

* This transfer is the amount of the net surplus that the directors consider should be retained having regard to the needs of the business; it may exceed or be less than the net surplus. The directors should explain the basis and the reasons for amounts transferred (see paragraph 24).

Part of the problem is a lack of consensus on what is the substance of the business (is it the physical assets, or all the assets, or the long term capital, or the owners' capital, etc?) and whether it should be maintained in money or real terms.

It is considered, however, that the suggested treatment (namely, a statement of the change in the value of the business) is the most appropriate.

There was a choice between phasing by item in the accounts or by size of company. The Steering Group chose the latter because the former had two major disadvantages:

(a) The most important adjustments which would require to be phased in first (depreciation and cost of sales) probably involve the greatest part of the work;

(b) The resulting accounts would have been produced on a mixture of conventions and could hardly be described as true or fair.

Another possibility would be to introduce CCA by means of a supplementary statement. This was rejected because such statements would cause confusion as to which figures were considered to be the right ones.

It should be noted that no starting date has been set for the mandatory use of CCA by small companies. It is intended to develop an appropriate method of CCA for such companies in the light of the experience gained during the first years of operating CCA by other companies.

8. Balancing three requirements
It has been necessary in producing this Exposure Draft to balance three requirements:

(a) The need for more useful information;

(b) The need to minimise the extra work required to produce the information; and

(c) The need to minimise the opportunity for misleading manipulation of the figures.

The Steering Group believes that it has got the balance about right, and this view is supported by initial reactions from the companies which have appraised the Steering Group's proposals. Nonetheless, the Group would particularly welcome comments on this point.

9. Auditing
It has been argued that CCA will increase the degree of subjectivity in annual accounts. If

this is so, then this is part of the price that has to be paid to make accounts more relevant in a period of rapidly changing costs.

It will be appreciated that historical cost accounting also contains a degree of subjectivity, particularly in the area of depreciation.

Moreover, the amount of subjectivity in CCA should not be exaggerated. With the possible exception of the transfers to or from revaluation reserves, the figures in the accounts will normally be backed by evidence on which both management and auditors can base their judgement.

The Steering Group has maintained close liaison with the Auditing Practices Committee

former and will be with the latter when appropriate. It is also conscious of the need to simplify record keeping, so it is discussing with the appropriate authorities requirements for the retention of historical cost records within the EEC.

The Auditing Practices Committee proposes to issue a booklet early in 1977 setting out some of the principal problem areas and recommending ways in which they should be approached.

10. The overseas dimension
Many major industrial countries

are developing inflation accounting systems. The United Kingdom is among the leaders in this field but is developing systems which will not be unique or incompatible.

The importance of comparability is recognised and it is hoped that further development of CCA will take place in close consultation amongst interested countries, the EEC and the International Accounting Standards Committee.

11. Tax, Price Control, and the Law
The Steering Group is well aware of the importance of companies attaching to acceptance of CCA by the Inland Revenue and the Price Commission, and is holding discussions with the

relevant Trade Associations and similar bodies. The Steering Group will give full consideration to proposals for modification arising from the relevant Trade Associations and similar bodies.

12. Scope of Proposed Standard
It is the intention that the accounting Standard which will be produced from the Exposure Draft should apply in due course to all financial accounts intended to give a true and fair view of financial position and profit or loss but, in order to spread the workload on those concerned in its introduction, it has been decided to divide the introduction into four phases.

13. Contents of Current Cost Annual Accounts
Under CCA, a company's annual accounts will include:

(a) A profit and loss account, (b) an appropriation account, (c) a balance sheet, (d) a statement of the change in the net equity interest after allowing for the change in the value of money, prepared and presented on the basis set out in the Exposure Draft and described briefly below. Companies within the scope of SSAP 10 will also include a Statement of Source and Application of Funds.

14. Basic Principles of Current Cost Accounting
The basic principles of the system are:

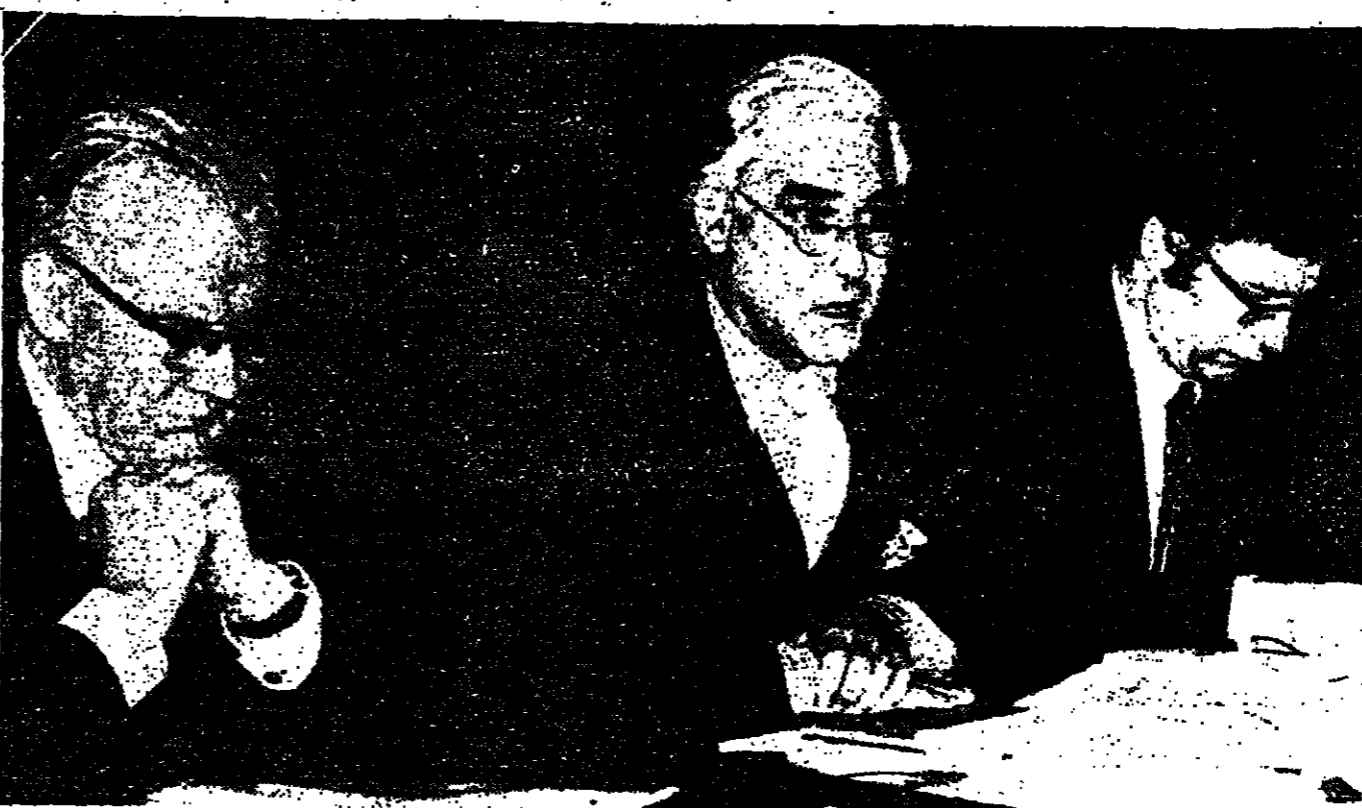
(a) The non-monetary assets of the business should be shown in the balance sheet at their value to the business at the balance-sheet date.

Value to the business will normally be replacement cost but in exceptional circumstances could be the higher of net realisable value and economic value (present discounted value) if both are lower than replacement cost.

(b) Revenue should be charged with the depreciation of fixed assets calculated on their value to the business, and with the cost of stock consumed valued at their replacement cost at the date of sale.

(c) Revaluation surpluses are

Continued on Page 12, column 4



Sir William Slimmings, chairman of the Accounting Standards Committee (left), Mr. D. S. Morpeth, chairman of the Inflation Accounting Steering Group and Mr. C. A. Westwick, secretary of the steering group

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TO BE PUBLISHED EARLY IN 1977
An Audit Guide to Current Cost Accounting.

studying the comments received during the exposure period when preparing proposals for a Statement of Standard Accounting Practice for consideration by the ASC.

It is appreciated that some organisations and companies in certain industries may need to modify the application of the Exposure Draft in order to give a true and fair view.

The Inflation Accounting Steering Group will give full consideration to proposals for modification arising from the relevant Trade Associations and similar bodies.

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(c) Revaluation surpluses are

New scheme has five major advantages

As long as industry uses historical costs for management accounts, it may unknowingly undercut, with dangerous consequences for the business. It is essential that industry uses more fully its estimates of cost.

(a) Depreciation calculated on plant and machinery—in most cases this will be replacement cost.

(b) The estimated cost at the date of sale of materials consumed.

These CCA conventions should be used at the earliest possible date in compiling all management control figures, including monthly Profit and Loss Accounts, even although industry may not at present be able to reflect fully its current costs in the price it obtains, because of the effects of market forces and of the Price Commission.

STATEMENT OF CHANGE IN SHAREHOLDERS' NET EQUITY INTEREST AFTER ALLOWING FOR THE CHANGE IN THE VALUE OF MONEY

Net equity interest at beginning of year	£000s
Net equity capital introduced during the year	X
Amount required to compensate for the change in the value of money during year	X
Net equity interest at end of year before dividends on equity capital	X
Gain/(loss) for year after allowing for the change in the value of money	X
Dividends on equity capital for year	X
Gain/(loss) for year after allowing for the change in the value of money and after dividends	X

ANALYSIS OF THE GAIN/(LOSS) ON MONETARY ASSETS AND LIABILITIES AFTER ALLOWING FOR THE CHANGE IN THE VALUE OF MONEY:

Long-term liabilities	X
Bank overdrafts	X
Non-equity share capital	X
Other	X
Total gain or loss	X

The allowance for the change in the value of money was made by applying the general index of retail prices, based on January, 1974=100. At 1.1.1975 the index stood at X, and at 31.12.1975

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Current Cost Accounting — 2

Mixed reaction

THE PROPOSALS have received a mixed reaction, as was expected because of their compromise nature following the CCA recommendations of the Sandilands Committee and the accounting profession's own Current Purchasing Power method proposals for coping with inflation.

But the overall concept of current cost accounting has received broad support, even though some doubts have been expressed about certain technical areas, and in particular the question of monetary items.

Accountants see technicalities

THE ACCOUNTANCY profession was in broad support of the advances contained in the exposure draft, but also drew attention to a number of technicalities which need to be looked at in further detail. Two firms were particularly concerned about the complexity of the proposals.

Mr. Stanley Kitchen, president of the Institute of Chartered Accountants in England and Wales, remarked: "Despite the fact that most of us have an abiding resistance to change, there is general acceptance of a need to change from the historic basis of accounting. There is, inevitably, less agreement as to what new basis should be adopted."

"It is time we stopped arguing and agreed to a common solution to the problem. I believe that the CCA system developed by the Inflation Accounting Steering Group and published by ASC is in essence straightforward and workable. Equally, I am sure experience will show that it is necessary from pressing forward with the proposals."

Mr. Kitchen, however, and Mr. Lybrand welcomed the publication of the proposals which represented a major step towards the recognition in management accounts and published accounts of the replacement costs of fixed assets and holding gains on stocks. Various subjects needed further study.

"We foresee problems with information,

monetary items, contract expenditure and overseas subsidiaries, to name a few, and hope that simple, logical and practical solutions can be found."

Whitney Murray joined in congratulating the steering group on producing an exposure draft within its very tight timetable.

They said that historic cost accounts had in many cases become so misleading that a revised accounting convention must be implemented as soon as practicable so that users of accounts were again given meaningful financial information on which to base their decision.

Price Waterhouse agreed with the basic Sandilands proposals and were in broad agreement with the proposals to implement current cost accounting set out in ED 18. They were, however, dismayed at the length and complexity of the exposure draft and hoped that its size would not deter accountants and business from pressing forward with CCA.

Deloitte welcomed the issue of ED 18 on current cost accounting and supported its principal recommendations. The firm believed that the main proposals would overcome many of the deficiencies of historic cost and current purchasing power accounting, thus providing management and other users of accounts with more relevant information.

Government gives its support

THE GOVERNMENT immediately gave its support yesterday for the introduction of the proposals for current cost accounting as the basis for the preparation of company accounts as soon as practicable.

Answering a Parliamentary question, Mr. Edmund Dell, Secretary for Trade, said:

"My predecessor, in a statement on November 28, 1975, announced the Government's general endorsement of the principles of Current Cost Accounting as recommended by the Sandilands Committee. The decision of the accountancy profession to set up a steering group, under the chairmanship of Mr. Douglas Morpeth to study the detailed practical problems with a view to Current Cost

Accounting becoming the future basis for company accounts. "The Exposure Draft of an Accounting Standard, which has been prepared by the Morpeth Group, is published by the Accounting Standards Committee yesterday. This proposes the introduction of the system of Current Cost Accounting for company accounts progressively from July 1, 1978.

"The Government reaffirms its support for the system of Current Cost Accounting, and its desire that this should become the basis for the preparation of company accounts as soon as practicable.

"The Government has been consulted by the accountancy profession in the course of preparation of the Exposure Draft, and endorses the approach which

the profession has taken. It agrees that the Accounting Standard should apply to nationalised industries and other public trading entities, subject to any necessary adjustment to meet their special circumstances.

"The Government is giving separate consideration to the question of using Current Cost Accounts for purposes of taxation and price control.

"I pay tribute to the success of the Morpeth Group in producing these proposals in so short a time. I do not doubt that all who are concerned for the welfare of British industry will use the exposure period to study the practical and other implications with a view to the effective and early implementation of Current Cost Accounting."

Opposition welcomes work of Morpeth Committee

From the Opposition, too, came a warm welcome for the work of the Morpeth Committee. Sir Geoffrey Howe, Shadow Chancellor of the Exchequer, said: "We welcome the proposed accounting standard based on the recommendations of the Sandilands Committee, in which the Conservative Party gave general support in its policy document 'The Right Approach'."

"Accounts should be as accurate as possible. The disclosure of current cost operating profits, the current value of assets held by an enterprise, and the impact of inflation on capital maintenance, will help to drive home the damaging impact of inflation on the structure and performance of companies.

"There are, of course, still

hurdles to be cleared before the proposed standard can be finally adopted. But this is an important objective, to which commerce and the profession should give their full support. In particular the application of the discretionary powers of directors over transfers to reserve, the treatment of deferred taxation, and other matters that may reduce the comparability of accounts will need attention.

"Yet again the difficulties facing industry under this present Government are highlighted. The current cost profit reported by most industrial companies is likely to be substantially lower than their historic cost profit."

"The Government has, quite rightly, given stock relief to companies but this has caused the balance sheets of many of

them to be over-shadowed by large deferred liabilities. The draft proposes that these should now be omitted from the accounts, if the liabilities are not anticipated to fall due within the foreseeable future; but that leads to further uncertainty and yet another disincentive to investment.

"Early consideration should therefore be given to transforming accumulated stock relief into a permanent benefit as opposed to an indefinite and uncertain deferral of tax.

"At the same time, priority must be given to recreating a stable economic environment in which the long-term average profitability of industry and commerce is high enough to dispense with the need for such palliatives as stock relief."

Stock Exchange in favour but with reservations

THE REACTIONS of the Stock Exchange and stockbrokers were in general favourable to the proposals, but a number of reservations were expressed about certain key technical areas.

The Stock Exchange said it welcomed the publication of "the exposure draft on current cost accounting and would be giving close attention to its proposals."

The Council expressed general support for the concepts underlying the report of the Sandilands Committee in the autumn of 1975. A letter was then written to listed companies urging them to include in their annual accounts, pending the issue of an accounting standard, certain elements of the accounting information which will be obligatory once a CCA standard comes into force.

"The response to that letter has been most encouraging and the Council acknowledges the effort made by a significant number of companies to produce the information requested. The Council will now consider whether any further recommendations can be made in listed companies pending the implementation of a definitive standard."

Martin Gibbs of stockbrokers

Philipps and Drew found it difficult to think that the Steering Group had failed to find an answer to key questions such as the treatment of monetary assets and liabilities, and the definition of distributable profits and earnings per share.

On his estimate aggregate pre-tax profits will be approximately halved under the method proposed. "This means that the two-year prospective P/E on the market can probably be said to be rather than five as under the present system of accounting. Bearing in mind that this figure of 10 is calculated on a very conservative definition of profits, the market can probably be said to be discounting the overall effects of the Morpeth proposals. However, it does not appear to be giving sufficient weight to the relative effects on different companies."

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appointment but "on second thoughts" I realised that the Steering Group had gone at least half way towards producing a proper accounting system."

He recalled that historic cost accounting had evolved over more than a century while Morpeth had had only two years. "What has been produced in ED 18 is an accounting system about as far advanced as historic cost accounting was when the 1929 Companies Act was passed. It will be up to those who will be using the figures to ensure that, in its final form, it is at least as advanced as the 1948 Companies Act."

Mr. Roger Nightingale of Hoare Govett said that the real value of shareholders' funds, was not that it produced a system which "accounted for inflation," but that it highlighted the differences between profits which should properly be located in the balance sheet and those which are genuinely revenue items. "What it failed to do was to estimate in any way the 'real' value of shareholders' funds. Sandilands presumably felt that this was not the function of an accounting system, and for our own part we would tend to agree."

Positive step — Banks Industry points out problems of detail

THE CLEARING banks have welcomed the exposure draft. They felt it was a positive step forward, the Banking Information Service said yesterday, although primarily relevant to the accounts of industrial companies. They noted the reservations made in the draft as to its shortcomings for financial institutions.

The banks are obviously concerned that there should be fair and logical treatment of monetary assets comparable to that applied to non-monetary assets. They accordingly look forward to discussions on this matter.

They feel that if new accounting standards are established on the basis of the exposure draft, profits for industry will be redefined to reflect some of the realities of inflation; but the absence of comparable treatment for banks is bound to lead to serious inequities and misunderstandings.

"The banks therefore argue that they should be permitted to make an adjustment in their accounts, before striking a figure for current cost profit which would compensate for any erosion in their free capital ratios that is caused by an increase in their 'overall' monetary assets due to inflation. This adjustment would be analogous to the proposed cost of sales adjustment to an industrial or commercial company. Its purpose would be to enable banks to deduct, above the line, the amounts which have to be retained in the business if the banks are to maintain an unchanged level of real activity."

"In other words, it would reflect the fact that a bank's need for free capital, like an industrial company's need for capital to finance stocks, increases in monetary terms at a time of inflation."

"The banks do not feel that their case is met by the suggestions for an adjustment, or exoneratory note after profits are calculated. Quite apart from the implications for taxation, price control and other public policy purposes, these compromises do not seem to apply the spirit of Current Cost Accounting adequately to their accounts."

Insurance

INSURANCE COMPANIES are likely to express support in principle for the implementation of the proposals for Current Cost Accounting as a means of reflecting the effects of inflation more realistically.

The adoption of CCA is unlikely to change insurance companies' results materially as these already take account of inflation to a large extent. In fact, the Sandilands Report made particular reference to the "actuarial" approach towards valuing assets and liabilities which is adopted for life assurance business.

The main concern for insurance companies will probably be to ensure that adequate recognition is given to the special features of their business. It is perhaps not widely appreciated that insurance companies, as holders of net monetary liabilities—using the term in its inflation accounting sense—are not in the same position as banks who hold net monetary assets, but they still have the same need to avoid the erosion of their capital base through inflation.

CCA will affect the preservation of insurance company accounts, for example, in its requirement for the use of market values of investments.

INDUSTRY IN general welcomed the new proposals but pointed out that many detailed problems remained to be cleared up. An exception was the National Chamber of Trade, a body representing many small businesses, which found little to mark in any aspect of the exposure draft.

Mr. Jan Hildreth, Director-General of Institute of Directors, was enthusiastic about the exposure draft.

"This is a sensible and realistic approach to the problem of accounting for changes in money values and in line with our own recent submission to the Department of Trade."

He thought it right to measure both revenues and costs of production in the currency of the same year, and he felt particularly strongly that it was right to place great emphasis on the role of annual accounts as performance accounts at the top of the management accounting pyramid.

He congratulated the committee on its neat proposals for the problem of monetary assets which seemed to him both logical and workable. Problems he saw needing to be solved during the exposure period included deferred tax— "we must insist that all is revalued even if it is all in the notes and subsidiaries—we have to retain as much as possible of the objectivity of historical accounting."

On cost of property revaluation, he asked "how much do we really need?" and on monetary assets he commented: "Above all, the Inland Revenue treatment for inflation adjusted profits is the key to the problem of monetary assets facing financial institutions."

Mr. Anthony Frodham, director-general of the Engineering Employers' Federation, welcomed any proposals that would lead to wider understanding that the greatest evil of inflation is the erosion of real profits and resources.

He said that the experience of the engineering industry and indeed of all wealth-creating industry is that at times of inflation distributable profits—in real terms—fall considerably from those which would be achieved by accounting methods. A simple system of inflation accounting was needed urgently to safeguard industry from some of the worst effects of inflation.

"There really is not time for a self and the Revenue."

CBI, TUC respond to group's proposals

THE CBI welcomed the publication of the CCA exposure draft and congratulated the Morpeth Group on its achievement.

"While we will of course be studying very carefully the detailed aspects we hope the general concept will be accepted, and supported by Government, industry and the accounting profession."

The CBI was particularly interested in the implications of CCA for changes in the basis of corporate tax and other Government policies which it hoped would be developed in a way

"which reflected economic realities."

The TUC made a fairly neutral statement recognising that the changeover to current cost accounting would result in adjustments to the reported profits of most if not all companies.

It warned that "the adjustments to published accounts were not to result in widespread misapprehension on the part of trade unionists, the opportunity should be taken to ensure that the changes to both annual and management accounts were fully discussed with trade union representatives."

MEMBERS OF THE INFLATION ACCOUNTING

STEERING GROUP

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I. M. Bowie (chairman of Working Party C—Distributable Profit and Legal Implications)	Peat Marwick Mitchell
R. C. M. Cooper	Department of Trade
I. F. H. Davidson (chairman of Working Party D—Guidance Manual)	Arthur Andersen
Professor H. C. Edey, FCA (chairman of Working Party E—Monetary Items and Deferred Taxation)	London School of Economics
D. H. Maitland	Save & Prosper Group
Sir Ian Morrow (chairman of Working Party F—Investments, Group Accounts and Overseas Assets and Operations)	Pember and Boyle
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J. Pearey (chairman of Working Party A—Fixed Assets)	Government Accounting Service
K. J. Sharp	Ford Motor
S. Thomson	Delta Metal
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Contd. from Page 11

credited in the first instance to the Appropriation Account. Revaluation surpluses will arise mainly from the revaluation of fixed assets and from the difference between the replacement cost and historical cost of stocks consumed.

(d) Directors should appropriate out of the revaluation surpluses and, if necessary, out of current cost profit, an amount based on their assessment of the needs of the business.

16. Profit and Loss Account. The new form of profit and loss account will show:

- The operating profit or loss for the year (the operating profit or loss is arrived at after charging depreciation and cost of sales on the basis of the current value of the business of the physical assets consumed during the year)
- Interest payable less receivable
- The current cost profit or loss before taxation (a) minus b)
- Taxation
- The current cost profit or loss before extraordinary items (c) minus (d)
- Extraordinary items, and
- The current cost profit or loss for the year (e) plus or minus (f)

17. Appropriation Account. The new appropriation account will show:

- The current cost profit or loss for the year from the profit and loss account
- The amount of:

- surpluses or deficits for the year (net of minority interests) arising from the revaluation of assets, plus or minus
- the amount appropriated by the directors to or from revaluation reserve (see next paragraph)
- the dividends for the year,
- the balance which will be a transfer to or from general reserve.

18. Deciding how much to appropriate. In deciding how much to appropriate in revaluation reserve, in addition to the surplus on the revaluation of

assets, directors will need to consider the following questions:

Group 1—leading to an increase in the amount appropriated:

- Does the company need to finance a higher level of trade debtors?
- (For Banks, in particular) Does the company need to finance a higher level of net monetary assets?
- Does the company need to provide for backlog depreciation?
- Does the company wish to maintain the purchasing power of the shareholders' equity?

Group 2—leading to a decrease in the amount appropriated:

- Are the company's increased stocks financed in whole or in part by an increase in trade creditors?
- Will the company finance the increased cost of replacing its fixed assets by increasing its borrowing while maintaining a reasonable debt/equity ratio?

19. Balance Sheet. Assets and liabilities will be shown in the Balance Sheet as described in the following paragraphs.

20. Land and buildings. Land and buildings will be valued by professional valuers at least every five years. The basis of valuation will normally be open market value for the existing use.

Where there is no open market value for the land and buildings, the buildings should be valued at their depreciated replacement cost, the land at its open market value.

Depreciation will be charged on the building element included in the valuation.

21. Plant and machinery. The normal basis for valuing plant and machinery will be replacement cost. The gross current replacement cost of plant and machinery will be determined by reference to the following data sources, which are listed in descending order of preference:

(1) Suppliers' official price lists, catalogues etc., with appropriate discounts;

(2) The company's own replacement cost estimates, based on expert opinion;

(3) An index compiled by the company from its own purchasing experience;

(4) Authorised external price indices analysed by asset type;

(5) Authorised external price indices analysed by using industry.

Depreciation will be deducted from the gross current replacement cost to arrive at the net current replacement cost. Companies may well value different assets by different methods using the higher in the list for their major assets.

22. Stock and Work In Progress. Stock and work in progress should be shown in the balance sheet at its value to the business at the balance sheet date. The value to the business is the lower of current replacement cost and net realisable value and will be determined from one or more of the following sources:

- The costs currently being incurred by the company at the date of consumption for various cost elements, that is, purchased materials and services, labour and overheads;
- For purchased items where no relevant materials or services have been purchased at or near the date of consumption, suppliers' official price lists, catalogues, etc., with appropriate discounts for trade discounts;
- An index compiled by the company from information on its cost of purchases and on its labour and overhead costs; where the cost of identifiable elements of stock and work in progress have changed at materially different rates a separate index should be prepared for each element;
- An authorised external price index for the costs of each type of stock used by the company or for the costs of stocks of companies in the relevant industrial categories.

23. Monetary items. Debtors, creditors and other monetary assets and liabilities will be shown in the balance sheet at their face value. No adjustment will be made in the Profit and Loss Account in respect of these items, but the gain or loss on holding net monetary assets, analysed into its

principal components, will be shown in the notes to the accounts.

Where a liability is also a security the total value of the outstanding amount, based on the mid-market price at the balance sheet date, should be shown by way of note.

24. Effect of change in the value of money. The change in the value of money is a reflection of the change in the quantity of goods or services which can be purchased for a pound.

A measure of this change is the general index of retail prices (RPI) which is a measure of the changes in the price level of a representative "basket" of the goods and services purchased by most households.

In order to show the effect of the change in the value of money on the shareholders' net equity interest, a statement should be incorporated in the notes to the accounts. The statement will compare:

- The sum at which the net equity interest would need to stand at the end of the year in order to have a purchasing power equal to that which it had at the beginning of the year;
- The actual amount of the net equity interest at the end of the year.

The former amount is obtained by multiplying the opening net equity interest by the RPI at the end of the year and dividing by the RPI at the beginning of the year. This comparison will disclose a gain or loss in purchasing power over the net equity interest over the year.

25. Deferred Taxation. Any provision for deferred taxation should be made unless it can be shown with reasonable probability that no actual liability will arise in the foreseeable future.

The full deferred taxation provision, as calculated under the provisions of SSAP 11, "Accounting for Deferred Taxation," should be shown by way of note to the accounts. If the full provision has not been made in the accounts, the make up of any provision made, or shown by way of note only, should also be disclosed.

26. Investments. Quoted investments will normally be valued at mid-market prices. Unquoted investments will be valued on the basis of the CCA assets of the company invested in or the stream of income from the investments.

27. Consolidated Accounts. Subsidiaries and Associated Companies. "Subsidiaries and associates" accounts should be on a CCA basis or should be adjusted to a CCA basis. These CCA figures should then be used as the basis for consolidation.

28. Goodwill. The appropriate accounting treatment of goodwill is a continuing subject of debate. The exposure draft does not attempt to resolve this debate, but limits itself to giving guidance on the adjustments necessary for the introduction of CCA.

29. Overseas Assets and Operations. Overseas assets should be restated in CCA terms in the currency of the country. They should then be translated into sterling using the closing rate. All exchange differences arising from the restatement of assets and liabilities should be treated as revaluation surpluses or deficits.

30. Comparative figures. All corresponding amounts for the preceding year should be stated as shown in the previous year's accounts; that is, there should be no adjustments for changes in prices since last year.

Conclusion. The introduction of CCA will be a major change in accounting practice within the U.K. No company, whether public or private, should ignore the implications of the new system of historical cost accounting.

But the improvements in the relevance and usefulness of the resulting information to management, employees and investors will far outweigh any increase in workload.

CCA will help to provide the up-to-date financial information which management needs if the business is to survive, prosper and grow in today's inflationary world.

Current Cost Accounting - 3

THE GOVERNMENT ACCOUNTANTS' VIEW

Whitehall's support

BY K. J. SHARP

THE GOVERNMENT is committed to support the principle of current cost accounting (CCA). This was made clear by the then Secretary of State for Trade in November 1975 when welcoming the Sandilands Report and was confirmed in a written answer in the House of Commons yesterday by Mr. Edmund Ball, the Secretary for Trade.

The publication of Exposure Draft 18 (ED 18), it follows therefore that in so far as ED 18 accepts and applies the Sandilands approach it too will have support in Whitehall. During the exposure period the Government will make a close study of the implications of the proposals and will encourage all other affected organisations to do the same.

During the 11 months since the setting up of the Inflation Accounting Steering Group (The Morpeth Committee) I have served as one of the two Government representatives on that Committee and have simultaneously served on the interdepartmental group in Whitehall which has been following progress and concerting government views. This has not been the friendliest position to occupy because Whitehall is more concerned with the broad strategic issues which arise from the introduction of a new system of accounting, while the prime purpose of the Morpeth Committee, set up by the Government's support, is to concentrate upon the detailed problems which Sandilands recommended should be examined urgently in order to achieve a swift implementation.

While there have been several occasions upon which views on the fundamentals of accounting theory have been hotly debated (and with the evident enjoyment of the parties involved) it is upon the detailed practical problems that the Morpeth Committee has primarily concentrated. Communication between Morpeth and Whitehall has been frequent at both formal and informal levels and any incipient difficulties have been rapidly resolved. The Government has recognised that all matters of detail were for resolution by the profession and has not sought to intervene when not directly concerned.

It is inevitable, when a principle is stated with appealing simplicity, that there is a sense of disappointment and frustration if the practical application involves complexities which appear at first sight to reduce some of the initial attraction. The Sandilands Report was written in terms of general principle and illustrated primarily in the context of the manufacturing company. Substantial development was therefore necessary to find practical means of accommodating the structures of various other types of entity. There were also some highly complex technical problems, for example those concerned with overseas subsidiaries and transactions,

which were difficult to resolve. However, Morpeth has produced a workable (the proposals have been field-tested by 130 organisations) and reasonably consistent system, which though not necessarily the final answer, will meet many of the shortcomings of historical cost accounting. Of course not everyone will be content, and there will doubtless be some adverse comment during the exposure period. The fundamental point which the objects who would prefer no change have to meet, however, is that historical cost accounting is wholly misleading in most circumstances. No one starting from scratch in today's conditions would contemplate setting up such a system: it is not a satisfactory way of providing useful information to users of accounts and at the same time it leads some managements to take decisions which are contrary to the interests both of their companies and of overall industrial efficiency.

There were serious reservations about the accountancy profession's original proposal to account for inflation by Current Purchasing Power (CPP) accounting—hence the setting up of the Sandilands Committee. It is inevitable therefore that there are doubts as to the wisdom of including as part of the accounts a Statement showing the effect on shareholders' equity of changes in the value of money as measured by the Retail Price Index.

However, a substantial body of users of accounts, including some institutions, believe that the information in the Statement is important for a proper understanding of an entity's performance. The inclusion of this information, together with that relating to gains and losses on monetary liabilities and assets, is perhaps the most controversial aspect of the whole Exposure Draft. It is, however, accepted that the issue, about which there has been so much ardent debate, cannot be solved by dialectic. The Government therefore understands the approach outlined in the Explanatory Note (Para 263) that a reassessment should be made in the light of experience, and that consideration will then be given to whether the information in the Statement should be retained, abandoned or shown in some other way.

No remorse

In some ways the most striking divergence of the Morpeth recommendation from the Sandilands concept is in the format which is proposed for the future statutory accounts of companies illustrated in an appendix. This bears a much closer resemblance to the traditional profit and loss account style than the Sandilands' proposal for a Statement of Total Gains. The format has evolved during the course of the debate as a result of the difficulty of finding an entirely satisfactory

answer to the question "What is profit?" The Morpeth Committee need feel no remorse since the question is one which has plagued the academic heart of the accountancy profession for many decades and the only consensus is that, at least in practical terms, it is not likely to be answered conclusively in the foreseeable future.

There is no present proposal to redefine what amount may legally be distributed (though a final decision has yet to be taken) and it is accepted that auditors cannot be expected to judge the wisdom of the distribution policy of directors. With these considerations in view the Exposure Draft has adopted the pragmatic approach of presenting the relevant figures separately for users to interpret as they think most appropriate. Effectively the key figure of profit (if that concept continues to have any relevance at all) is Current Cost Profit, meaning operating profit adjusted for interest, tax, minority interests, and extraordinary items. The introduction of surpluses on revaluation and transfers to revaluation reserve are brought into an appropriation account upon the basis that items "below the line" are treated as being "unauditable".

While not entering into the academic fray, I suspect that there may be some concern as to whether the exceptions permitted to enable gains on efficient buying to be included in operating profit are adequate to permit a reasonably realistic view of industrial earnings to emerge, or whether these earnings are now going to be significantly understated.

It is noteworthy that the problem of definition of earnings per share is not touched in the Exposure Draft. The resolution of this problem could have important implications for the attraction of funds by industrial companies (in so far as they are seen as depending on stock market ratings).

Problems relating to taxation and price control were expressly excluded from the terms of reference of the Morpeth Committee. It is, however, made clear that the Committee regards it as desirable that Current Cost Accounting (CCA) should be used for price control and taxation purposes. With regard to price control, the question at the moment is somewhat academic since the present legislative basis expires on July 31 next, but insofar as accounting information continues to be relevant the proponents of CCA are likely to meet an understanding response.

As to taxation, there are practical questions to explore and preliminary discussions between the Morpeth Group and the Inland Revenue already have started. The major question immediately is the treatment of stock, on which the Chancellor has promised discussions with industry and the accountancy profession.

None of these considerations takes into account problems re-

lated to the Common Market. The draft Fourth Directive, of the EEC, which deals with the format of the accounts, is at present being discussed in Brussels on the assumption that accounts are prepared on an Historical Cost Basis. There is some provision to enable companies adopting another basis to do so, providing they provide information from which, for balance sheet items, the historical cost equivalents could be derived. The extent to which this would cause complications for companies and the degree to which the present draft directives' requirements could be eased are matters which concern the Morpeth Group and the Department of Trade alike.

Short term

Because the introduction of CCA will lead to better information being provided about the performance of companies overall, it can be expected to have profound effects on the apparent relative profitability of various sectors of industry and commerce and of different companies within those sectors. In the short term the effect is likely to appear unfavourable to highly capital intensive manufacturing industry. There is bound to be doubt as to whether there will be sufficient understanding of the reasons for the apparent relative increase in profitability in the financial sector. The service and labour intensive industries will also show a relative improvement. However, these short term effects should not be given too much weight. The reduction of reported profitability will likely lead to a move towards improved real profitability to restore relative performance closer to familiar levels.

Notwithstanding the points discussed above, the Government believes that the interests of the nation require the introduction of the Current Cost principles into company accounting as soon as possible. This belief stems from a vigorously held view that the information emerging from CCA is likely to be a positive and valuable aid to management. Implicit in the whole thinking of the Morpeth Committee is the belief that the real value to industry and commerce of CCA lies in its adoption for management accounting, and that companies' information systems will benefit enormously from the introduction of integrated management accounting on this basis.

As ministers have asserted on numerous occasions the main thrust of Government economic policy lies in the regeneration of British industry: they believe that a valuable part will be played by the introduction of Current Cost Accounting—not just because we are living in inflationary conditions, but because for all conditions it is a better system of accounting in its own right.

(K. J. Sharp is head of the Government Accountancy Service)

GUIDE FOR FINANCE DIRECTORS

A company's handbook

BY MICHAEL LAFFERTY

THE PUBLICATION to-day of the Morpeth Group's proposals on current cost accounting (CCA) is of major importance to the finance director. It will be his task to see that the new system is successfully implemented and that its implications are fully understood by all those in his company who use financial information.

It is important to appreciate that CCA will soon replace the traditional accounting system which has been in use for over 400 years. Therefore ED 18 is not like any other draft accounting standard dealing with a certain aspect of accounting principle. This is a blueprint for a complete new system in which figures have different meanings and uses from those all are more realistic than ever before.

First, the financial director should study the timetable for the introduction of CCA in statutory accounts to see where his own company fits into the three-stage implementation.

Until the phased introduction begins, both the accountancy bodies and the Stock Exchange have given guidance on what companies should be doing in their statutory accounts while historic cost figures continue as the basis of the main financial statements. At the beginning of 1978 the Stock Exchange urged listed companies "as soon as practicable and until some indication has been given of the form in which the steering group will recommend that current cost accounts should be presented" to publish certain supplementary CCA figures. These are the cost of sales adjustment, the CCA value of fixed assets and the related depreciation, and the effect of inflation on the net monetary position of the business.

At the same time quoted companies were asked to move as rapidly as possible towards a position in which they would be able to produce both full CCA accounts and a statement of the effect of inflation on shareholders' interests. Now that the steering group's proposals are published it would seem that companies should be prepared to publish both CCA and historic cost accounts.

Unlike CPP, the great advantage of CCA is its relevance to internal management accounting. It is widely believed that many large companies already use current cost figures in their internal accounts but it is also obvious that far too many large and small companies do not. As a result, the information being produced for pricing and other management decisions must be deficient. There can be no real excuse for any delay in this vital area and the finance director should ensure that a realignment is made as soon as possible.

But even where companies are accustomed to thinking of costs in current rather than historic terms, a major educational exercise will have to be undertaken to introduce

executives and employees to all the implications of CCA. For this the starting point must be the exposure draft itself and there is unlikely to be any substitute for a thorough self-education.

From now on many organisations will be running courses on realistic basis. This could double your CCA profits at a stroke.

Plant registers: One of the greatest difficulties in introducing CCA in many companies will be the simple problem of obtaining information about the age, cost and location of items of plant and machinery. An immediate start should be made to prepare a plant register

your company is to test it out against a sample of purchases. This experiment should be carried out as soon as possible.

Deferred taxation: It may seem attractive to cease providing for deferred taxation but be warned that if your stock levels fall or your company cannot afford to maintain its capital investment programme at the same level the tax charge has a nasty habit of shooting up to high levels without much advance warning.

Your company might find its profits are eliminated if no provision for deferred tax is made. Before making any decision about deferred tax look back at your company's record over the past five years and then examine in detail your cash flow budgets for the next three years.

THE TIMETABLE

- (i) Phase 1 is for listed companies, nationalised industries, and other companies with assets or turnover in excess of £10m, and commences for accounting periods beginning after July 1, 1978.
- (ii) Phase 2 applies to companies with assets or turnover in excess of £1m, and to companies which have more than 50 per cent. of their assets outside the British Isles; and commences for accounting periods beginning after January 1, 1979.
- (iii) Phase 3 is for companies with assets or turnover in excess of £100,000 and commences on January 1, 1980.

In the meantime much preparatory work needs to be done. The following notes by a leading chartered accountant to put the company in a position to implement CCA, if a development of CCA highlights areas for immediate attention:—

Accounting records: Historical cost accounts will be required for at least four more years and it may well be that most companies will continue to maintain their accounting records in traditional form and make adjustments for CCA on subsidiary manuals. It is therefore important during the experimental stage not to use accounting systems until you have firmly decided what new features you require and have tried them out on an experimental basis.

Depreciation rates: Many Indices: The Central Statis-

showing all the required details so that in 12 months' time all the space work has been done. The following notes by a leading chartered accountant to put the company in a position to implement CCA, if a development of CCA highlights areas for immediate attention:—

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Depreciation rates: Many Indices: The Central Statis-

THE ACCOUNTANTS' GLOSSARY

Accounting profit.	Profit found by the traditional (historical cost) system.
CPP	Current purchasing power, i.e. the system, backed by the accounting profession in SSAP7, that raises the historical cost of assets and inputs with the general index.
CCA.	Current cost accounting i.e. the system, backed by the Sandilands Report, that uses current values of each asset and input.
Holding gain.	Increase in an asset's value between the dates of purchase and sale.
Operating profit.	Accounting profit with the holding gain taken out.
Real gain.	Gain over and above historical cost raised with the general index.
SSAP7	The accounting profession's CPP reform plan, geared to the general index.
Value to the owner (or deprival value).	Value found by selecting the most relevant of replacement cost, sale proceeds, and value in use—usually replacement cost.

people falsely assume that under ED 18 charges for depreciation on "Price Numbers for Current Cost Accounting." More sophisticated information is available through the Economist Intelligence Unit. The only way to determine whether a particular index is appropriate for use by

your company is to test it out against a sample of purchases. This experiment should be carried out as soon as possible.

Deferred taxation: It may seem attractive to cease providing for deferred taxation but be warned that if your stock levels fall or your company cannot afford to maintain its capital investment programme at the same level the tax charge has a nasty habit of shooting up to high levels without much advance warning.

Your company might find its profits are eliminated if no provision for deferred tax is made. Before making any decision about deferred tax look back at your company's record over the past five years and then examine in detail your cash flow budgets for the next three years.

Professional valuation. If your company has revalued its land and buildings in recent years you should approach the valuer and discuss the best way of tackling valuations for CCA purposes. Valuers are supposed to be competitive among each other and you should not expect to pay full rates for repeat valuations.

Dividend policy. CCA may affect the dividend cover in your company's accounts. The financial director should estimate the effects of the introduction of ED 18 on the accounts and begin to calculate what proportion of holding gains may need to be distributed.

Goodwill. If your company's accounts include goodwill consider whether you can eliminate the goodwill against a revaluation surplus on fixed assets. The Accounting Standards Committee may require goodwill to be written off in the future. Rather than use future profits to eliminate what in CCA terms is a meaningless figure it is best eliminated against the revaluation reserve.

Wage negotiations. Wage negotiations may take place against the background of the results produced by the company. In which case all those involved in wage bargaining need to be made aware of the different type of information produced by CCA accounts. When CCA accounts come to be accepted greater pressure is likely to be made to reduce costs and improve profits. The best way of doing this is to reduce staff costs.

Computer programs. If your accounting systems are maintained on computer facilities it may take a long time to re-write the programs to incorporate CCA information. In this case your computer manager should be warned of the work required and the cost of re-programming.

Auditors. Your company's auditors are unlikely to be in a better position at present than you are to plan for CCA. It is however wise to remove any possibility of conflict before you make any changes. It would therefore pay you to clear your plans with them before implementation.

AN ACADEMIC'S VIEW

The accountants' safe haven as far away as ever

BY W. T. BAXTER

WHEN DESIGNING a new kind of aeroplane from scratch, we might sensibly start by learning all we could about relevant theories of aerodynamics and existing planes.

If instead we adopted several discordant and dubious principles—if we ignored the experience of others—if we said "jet engines are good, but so are diesel, so let's stick both in"—if we delegated the design of different bits to groups working apart—if we went better faster for jumbo size—then our invention might not inspire maximum confidence.

The Morpeth committee is hardly to be blamed if its new Standard, out to-day, bears some likeness to that plane. They were made to work at speed, and can with reason be said to lack of preliminary studies and take short cuts.

They suffered even worse constraint. The committee was set up, on Government orders, to show accountants how to put into effect the ideas in the Sandilands report. Sandilands recommended that assets and liabilities should be stated at current value, but the owners' capital, reserves, etc. should be left at historical cost. It rejected out of hand all use of the general index—which means fairly that the Sandilands system falls far short of performing two of the essential tasks of inflation accounting: to show loss or gain on money (for instance from owning or owing pounds while their value sinks); and real loss and gain on other items. If my house appreciates by 20 per cent., while the general index

risers 15 per cent., I have made a real gain. If it appreciates by 10 per cent., I have made a real loss. Real gain and loss are important also in appraising business results and understanding theory.

These defects were to some extent avoided in the accountants' own earlier model, described in Standard 7, and brushed aside by the Government. It uses historical cost raised with the general index—that is, it restates the historical figures in current purchasing power (CPP) equivalents. Admittedly, this model is weak for asset values. But it does show gain and loss on monetary items, and also as income figures (that is to say money) that is available, as it reflects increase in the owners' real wealth (in contrast to Sandilands' increase in physical quantity). It is fairly simple and objective, and has much in common with the tried systems of Latin America.

The Morpeth model dutifully retains the "current cost accounting" (CCA) figures of Sandilands, but tries to graft on some CPP refinement. Its balance sheet follows Sandilands in ancient sheet follows Sandilands in jumbling up current and historical values. Its income statement too starts like Sandilands, but at the end veers off with an appropriation that may voluntarily allow for loss on holding cash, etc., worked out in a separate CPP statement. CCA can in fact be blended elegantly by what the Buckle and Paper to the report calls the "ideal" method. But this takes time to understand or apply, and is rejected.

Let us now look at the main

proposals of the report. Assets are to be shown at their current value, defined in the selective terms of Bonbright's "value to the owner" (deprival value). To my mind, this concept is best: it will make managers think more carefully about whether they are using fixed assets in the best way and will make published balance sheets far more realistic.

But deprival value will not always be easy to find. Particularly in the first year of the new scheme, it will put a heavy strain on managers' time. In some firms, the cost of finding it will be high (for instance where the assets include hundreds of retail shops). The scheme will be a lush bonanza for surveys.

For some assets, the conceptual troubles are baffling. What happens, for instance, where the market is non-existent, so that there are no market prices to serve as guides? This situation is not uncommon with unfinished stocks, such as maturing whisky.

The auditor's troubles must not be overlooked. He will have to verify the new values, yet they are often highly subjective, and must be estimated by directors who no doubt are mainly competent, staid, and honest—but sometimes are ignorant, or given to flights of fancy. The auditor may well need a new reporting formula to keep himself in the clear.

Ordinary profit can be analysed between holding gain and operating profit. Holding gain is growth in value of inputs (stock used or the year's slice of a depreciating asset) between purchase and sale dates. Operating profit is the

rest of ordinary profit, and is the whole of it when input prices do not change. This analysis is of mild academic interest (it is supposed to show skill as at timing purchases), but has hitherto been almost unknown in practice.

When, however, the Sandilands committee spurned CPP profit, it had to hunt for a substitute. Operating profit seemed the very thing; it has an air of intellectual profundity (spurious to my mind), and can be relied on—so long as input prices are soaring—to stay low. The Sandilands income statement therefore depends on operating profit, and banishes holding gain to the outfield.

The new report follows suit: an unbridled glomsk is the centre of its income calculation. Oh! let us never, never, doubt/What nobody is sure about.

The soundness of the Morpeth procedure can best be judged by asking what should happen at a time when general prices are fairly stable, yet assets of the given firm rise in price while they await sale. The steps in the story are: (1) the assets appreciate, and thus holding gain is borne; (2) the assets are sacrificed to earn revenue, and thus the holding gain is realised; and (3) the firm makes use of the proceeds—that is, to pay dividend, or to plough back in more assets. To serve their readers well, accounts must reflect all three steps in the story—inter alia so that the directors can be held answerable for their use of the owners' resources at (3). The ordinary income statement tells the story less badly than a revamped profit that hides the holding gain.

Suppose the directors choose to plough the gain back and so increase the sum invested in assets. That increase may take the form of, say, an extra building, or (most probably) the physical replacement of the dearer inputs. But surely in both forms the business is expanding in the economic sense. If the extra investment will boost earnings, then it meets the best test of capital investment, whatever the physical characteristics of the assets.

Capital outlays on extra buildings and the like are not tax-deductible. So, if justice were our sole concern, neither should extra cost of physical replacement. But here comes the rub. If outlays on tax and dividend prevent outlays on replacement, and if the firm is unable to persuade the capital market to lend the needed funds, all manner of ill results may follow, unemployment for instance, and idle assets for instance, and so on. There may be a case for tax concession. But it continues as charges in the name—subsidy for a particular form of investment—and not concealed by fudging profit.

Directors and owners will rejoice when exclusion of holding gain spells low tax. But what happens when the cat jumps the other way, and there is holding loss? Current cost of stock and plant input then drops, and so operating profit is bigger than ordinary profit. Just when the accounts should warn, they soothe: they hint at higher, rather than lower dividend; and, thanks to clawbacks (worse than under present rules) the firm pays more tax than if ordinary profit is the base. The owners' "substance" is maintained in a

physical sense, but they now see that they want value, not tons of evergreening save monetary items; and then it takes out an appropriation made up of whatever adjustments the directors still think necessary for capital maintenance. As the intention running through the whole report has been to measure profit in terms of capital maintenance, this last touch seems a sad confession of failure. The final figure of profit will be an odd mongrel, but ED ought to be recognised as income. CPP accounts charge the ED 18, Sandilands and Morpeth £20. It will be ironic if it should be followed by an entirely new kind of statement, in conflict with all the earlier figures, this studies the equity interest in CPP terms—a "change in proprietors' interest after allowing for the fall in the value of money." Here at last are figures that all adhere to one defensible concept. As the starting-point to reform, the statement would have been admirable; as an apologetic postscript, it must strike readers as inconsistent and bewildering. Together, the two versions suggest the mythical beast who shambled along on one foot and one fin.

I am an enthusiast for inflation accounting. But the Morpeth model seems unsure in concept, costly to work, and hard to understand. I doubt if any system based on physical income statement, it recognises (unlike Sandilands) that holding gain deserves mention and, as also do loss and gain on monetary items. So, at the taxman's sake: better end-tail-end of its income statement, to have two figures: it adds an omnibus surplus from

revaluation (nominal and real, unrealised and realised), everything save monetary items; and then it takes out an appropriation made up of whatever adjustments the directors still think necessary for capital maintenance. As the intention running through the whole report has been to measure profit in terms of capital maintenance, this last touch seems a sad confession of failure. The final figure of profit will be an odd mongrel, but ED ought to be recognised as income. CPP accounts charge the ED 18, Sandilands and Morpeth £20. It will be ironic if it should be followed by an entirely new kind of statement, in conflict with all the earlier figures, this studies the equity interest in CPP terms—a "change in proprietors' interest after allowing for the fall in the value of money." Here at last are figures that all adhere to one defensible concept. As the starting-point to reform, the statement would have been admirable; as an apologetic postscript, it must strike readers as inconsistent and bewildering. Together, the two versions suggest the mythical beast who shambled along on one foot and one fin.

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dard can plead that full discussion and testing are ruled out by the need to race to a deadline. But then we should start with something simple and proven, such as the CPP models of Brazil and Chile. This important change should be made by cautious evolution, not started jumps.

Perhaps the issues go deeper than we like to acknowledge. The kind of measurement with which we are all most familiar (that of physical quantities for example weights); and it can differ in nature from measurement of more subjective things. If Miss X tests her weight on two machines at Blackpool, and the machines disagree, we can reasonably hold that at least one of them is wrong. But if she goes in for a diving or a beauty competition, and each judge gives her a different mark, the disagreement need not suggest incompetence: tastes vary.

A beauty standard could impose uniformity only if it confined itself to physical traits. Thus it could order the judges to choose the girl whose statistics came nearest to 35-24-34. But then the winner might so lack charm that most viewers would say the decision was daft. Likewise the measurement of wealth is largely subjective, and standard figures may be uniform but absurd. Even the wisest standard may not bring accountants to the calm haven that they are seeking so earnestly. And this standard is far from wise.

W. T. Baxter was professor of accounting at the London School of Economics, 1947-73, and is the author of Accounting Values and Inflation.

Arthur Smith, Midlands Correspondent, examines the working of the Government's accelerated investment scheme

Working out a new deal with industry

THE CHANCELLOR is expected to announce details in his imminent package of measures of a new £100m. scheme to encourage investment in manufacturing industry. While the exact terms and conditions on which the funds will be offered remain to be disclosed, it will draw heavily on the past 18 months' experience with the accelerated investment scheme.

As a result of this experience, the Department of Industry believes effective and efficient machinery has been constructed to vet applications for State aid; more important still much of the hostility and suspicion between industry and Whitehall has been broken down.

The new scheme will reflect the extent to which direct Government assistance has become detached from regional considerations—the problems of the depressed areas—and geared towards the needs of particular industrial sectors. The emphasis will be upon productivity and export potential rather than pure job creation.

Funds fudged

Though Mr. Denis Healey, the Chancellor, announced the accelerated investment scheme to a great fanfare in his April Budget last year, the exact funds available were fudged and the lower limit of eligibility was set at schemes costing £2.5m.

At the depth of recession, the Department of Industry had taken tentative steps to encourage companies to bring forward major schemes. Well-meaning as such an initiative might have been, it marked the period when Mr. Anthony Wedgwood Benn was Secretary of State for Industry, and controversy was raging about industrial planning agreements and worker participation.

Not only was the response to the scheme poor, but any signs of economic upturn receded and on September 26, 1975, the scheme was extended to embrace projects worth more than £1m. By November 5, Mr. Eric Varley had taken over as Industry Secretary, the limit was lowered to £500,000, and the time for application extended to the end of September this year. At the latest count on November 5 this year, the department had made 112 offers of assistance worth £80m.

is expected to generate investment of £801m, and create 10,300 jobs. Nowhere can the full import of Government policy be felt more keenly than in the West Midlands. This is the region which has not only managed to gain more applications under the accelerated investment scheme, but has benefited most from the fundamental switch in industrial policy.

In the prosperous post-war era, the region was subject only to the negative aspects of regional policy—to industrial development certificates and measures to relocate expanding companies to the assisted areas. But in the past two years specific aid schemes announced by the Government will make £26.2m. available to the Coventry-based Alfred Herbert machine tool company, £182.5m. to Chrysler U.K., and £2,800m. to British Leyland, half of which will be spent in the West Midlands. Not only this, but the region is benefiting from the ferrous foundry, machine tool, and clothing industries schemes.

Nor is it an accident that the West Midlands has emerged with most applications for the accelerated investment scheme. Mr. John Thompson, regional director for the Department of Industry, says: "This was the best thing that had happened to the region. It had never before been eligible for direct Government assistance." Mr. Thompson mounted a publicity campaign for the scheme with details going out to the regional Confederation of British Industry, local chambers of commerce and engineering employers' federations, in

addition to reports in provincial newspapers and appearances on local radio and television. The most successful approach, however, was from individual contact with the managing directors of local companies. The research department of the Department of Industry regional office drew up a list of 80 to 90 companies likely to benefit from the scheme and Mr. Thompson and his deputy visited them personally.

Uncertainty

As a result of these efforts, the West Midlands has already generated 23 offers providing Government assistance of £8m. towards investment totalling £72m. and creating 3,400 jobs. The size of this achievement—and it should be noted that every £1 of Government money has brought forward more than £9 private capital—must be judged against the current bleak investment climate where uncertainty about the future, high interest rates and excess capacity militate against new ventures.

Projects initiated range from a £500,000 scheme to expand production by 25 per cent. in one of the region's traditional industries at Chubb and Sons, the lock and safe company, at Wolverhampton, through to five factory developments totalling more than £7.5m. at the famous Wedgwood pottery works. Though differing in size, both projects have in common that they will raise productivity and increase capacity to meet export orders.

At Wedgwood the investment

will create 1,000 new jobs over the three years starting next April, and marks a fundamental extension of capacity. Capital spending has been running at between £2m. and £3m. a year, but, according to Mr. Peter Williams, the deputy chairman, the Board had decided by early this year to defer the bulk of its planned £7.5m. investment in five factories in North Staffordshire. "The schemes had been brought to an advanced stage of planning but, because of the economic problems of this country, uncontrolled inflation, and the fact that the U.S., as one of our major markets, was emerging only slowly from recession, we decided to postpone."

Mr. Williams maintains that, had it not been for the Government assistance in the form of cash grants totalling £1.3m. towards interest payments, the Board would still not have initiated the projects. "Without the Government aid we would certainly not even be looking at four out of the five schemes to-day."

Assistance under the scheme was offered in the form of concessionary loans—usually around 4 per cent. below the ruling market rate for a first class company—or as an interest relief cash grant. Of the £80m. so far allocated, more than 90 per cent. has been taken in the form of grants to companies which have borrowed elsewhere but accepted the government assistance as a contribution towards interest payments.

While complicated formulae exist for the way assistance should be advanced, in practice the accelerated investment scheme has worked largely on a basis of horse-trading between individual companies and the Department of Industry. Working to strict criteria of eligibility, based on factors such as the commercial viability of the project and its contribution to an improvement in the balance of payments, the Department has tried to keep its offers to the minimum and yet still encourage companies to bring forward investment.



Sir Arthur Bryan (right) at one of the Wedgwood potteries: Government cash will allow a £7.5m. investment plan to go ahead, providing an extra 1,000 jobs in North Staffordshire over the next three years. Were it not for State aid, the plan would have been shelved.

formula for interest relief payment. But the reality of the arrangement is disclosed by the fact that, under most of the projects approved, Government payments are related not to the actual interest payments, but to the progress of the development.

Selectivity

For state aid to be awarded in such a fashion marks something of a departure. The British Civil Service, with its tradition of impartiality, has been asked to move towards a policy of discrimination and selectivity. This was inherent in the Conservative Government's 1972 Industry Act under which their assistance schemes have been carried out. But the significant recent trend has been to shift away from Sec-

tion 7 of the Act, which provides for regional assistance, to Section 8, which gives general powers to assist firms or industries in any part of the country. "With a great deal of Government aid being offered to companies, new machinery was needed to negotiate sensible terms, and private sector skills had to be applied," says Mr. Graeme Odgers, director of the unit. Mr. Odgers, a former director of C. T. Bowring (Insurance) Holdings and chairman of a leading company of management consultants, was himself recruited to the Millbank Tower headquarters of the DoI from the private sector in 1974.

The task of the unit is to make a detailed examination of applications for investment aid, conduct negotiations, and approve terms.

Once a project had reached the point of a firm application and the initial vetting had been conducted, Mr. Odgers allocated it to one of his four deputy directors—senior financial executives recruited from top companies usually for a two-year period. Working to the deputies are a dozen case officers, again from the private sector, usually in their early thirties and trained as financial analysts, chartered accountants or management consultants.

The unit required from companies the sort of information that any efficient Board would want from its executives in assessing a project, including market projections and detailed cost and viability forecasts. In addition, compliance with the criteria for the scheme had to be ensured, most important of exports.

which was evidence usually in the form of executive or Board minutes that the scheme would have been deferred or abandoned but for Government assistance.

To the sceptics who criticised that the accelerated investment scheme could not fail as it amounted to little more than the State handing out pound notes to all comers, the industrial development unit points out that more than two-thirds of the 350 applications for aid were either rejected or withdrawn because they did not meet the criteria. Indeed on present trends it seems likely that only £100m. of the total allocation will in fact be disbursed by the department.

In making its assessment, the unit drew not only on the knowledge of the DoI regional office but also on the expertise of the civil servants at Millbank Tower specialising in particular industrial sectors such as chemical or textiles. Moreover, one terms had been agreed with particular companies, the arrangement was subject to normal DoI scrutiny and is vetted by the Industrial Development Advisory Board, the statutory lay body established for the purpose under the 1972 Act and chaired by Sir Robert Clark, chairman of Hill Samuel.

Praise

Praise for the efficient way in which the accelerated investment scheme was handled is widespread. Sir Arthur Bryan, chairman of Wedgwood and man noted for his views about the need for the private sector to be free of Government interference, says that any fears that the department might attack "strings" to assistance were quickly dispelled. The company had felt free to divulge commercial secrets and confidences. It experiences would encourage the company to deal again with the Government "provided that people concerned were of the same high calibre."

Mr. Odgers maintains the lesson of the exercise is that "We have learnt that Government working with the private sector can, in an effective way, persuade companies to do things in the national interest to improve efficiency and raise the standard of exports."

OFFERS MADE UNDER THE ACCELERATED INVESTMENT SCHEME, AT NOV. 5, 1976

	Offers made	Projects cost £m.	Assistance £m.
Scotland	6	33.5	2.0
Wales	2	16.0	2.5
Northern	4	30.0	3.0
Yorkshire and Humberside	10	137.5	21.5
North West	14	59.0	8.0
East Midlands	10	16.5	1.5
West Midlands	23	74.0	8.5
London and South East	9	21.0	2.0
South West	11	34.0	3.0
Eastern	13	113.0	15.5
Projects in more than one region	10	67.0	12.5
Total	112	601	80.0

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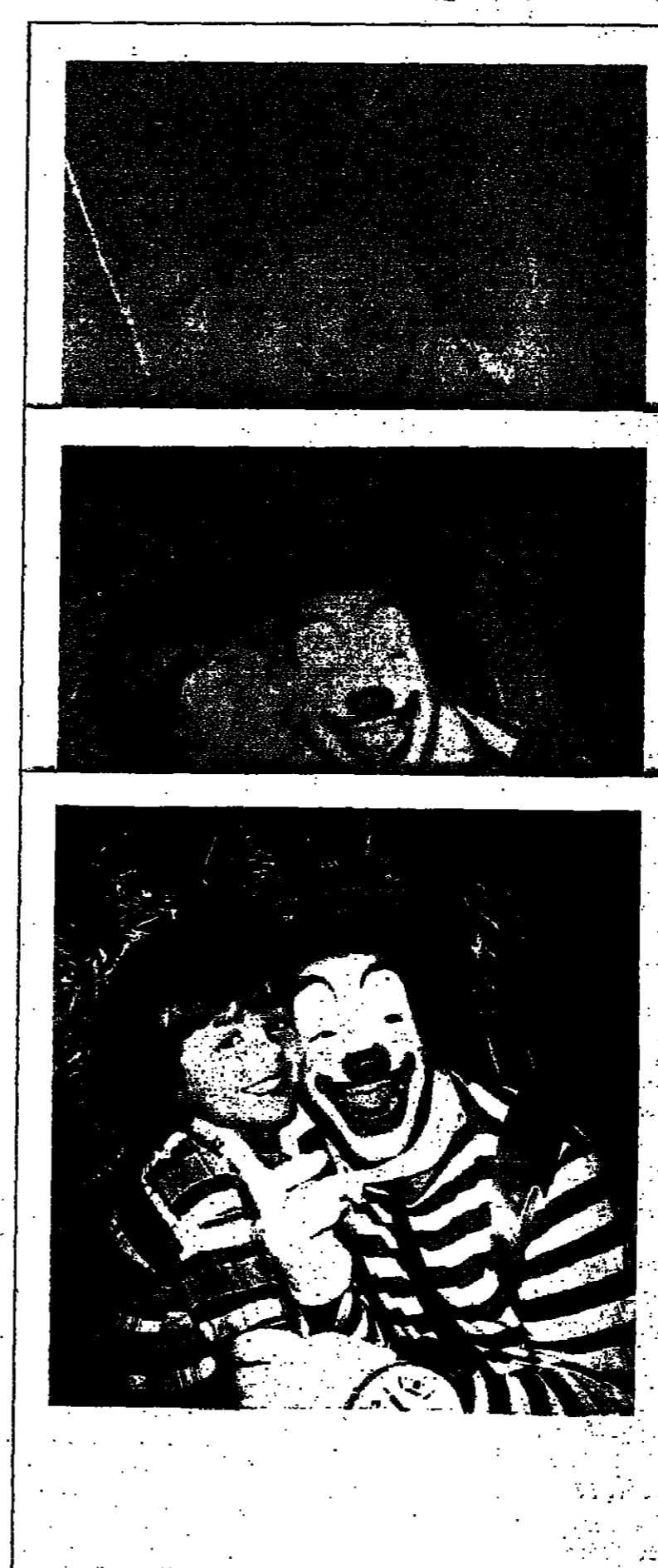


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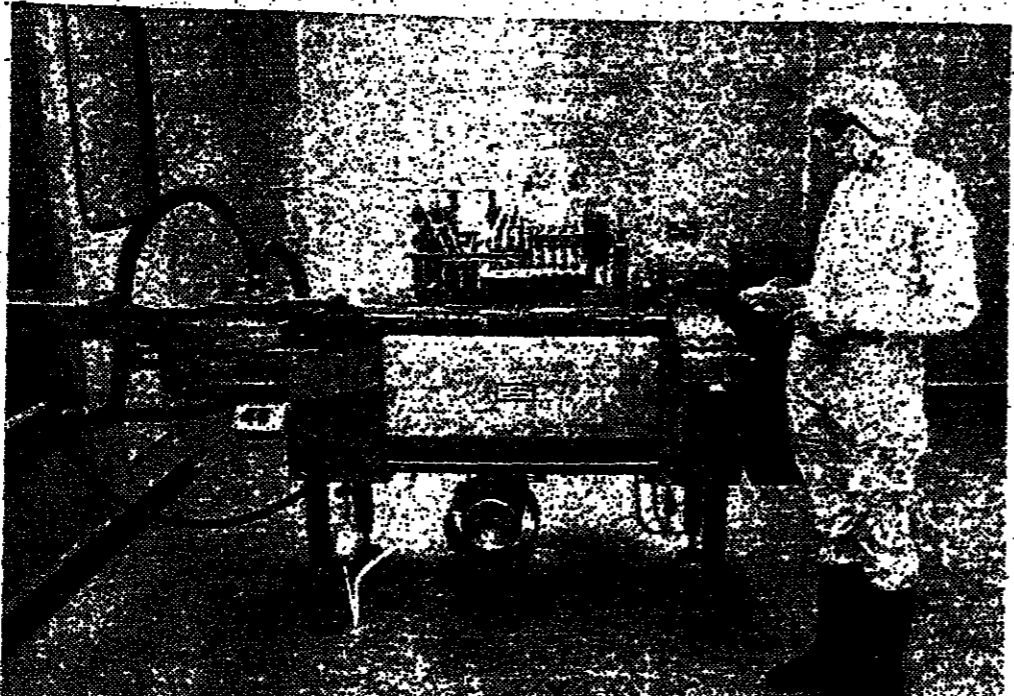
The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOUTERS

PROCESSES

Success for cable joint process

BASED originally on the requirements of the Electricity Council for jointing 600/1,000 volt electricity distribution cables, a rubber compound encapsulation process developed by Western Composites is now being made more widely available. The technology is called EMC (Expanded Matrix Composite) and can be used to protect, for example, a cable joint by temporarily encasing it in a casting box into which a semi-fluid rubber-based encapsulating compound is forced and later cured. Lorival have been closely associated with the project and are supplying the fluid under licence from Western. Sales to the U.K. Area Electricity Boards will be handled by a new company set up for the purpose. Western Electric, while other sales, for example to the contracting and industrial maintenance markets, will be undertaken by 3M United Kingdom under an agreement; 3M is negotiating to look after European sales. In Australia, Olex Cables has been appointed exclusive distributor. Western says it is dealing with many enquiries for moulding in EMC as a replacement for malleable iron. March Road, Ryhy, Chy (0745 31603).



This ampuole filling and sealing machine is housed in a newly-constructed aseptic/clean environment at the Thomas Kerfoot laboratories in Lancashire. It is part of a compact production line made by H. Strunck and supplied by Robert Bosch Packaging Machinery (U.K.) of Acton. The washing and filling line is able to produce

200,000 ampoules per week of a wide range of pharmaceutical products and Kerfoot has invested some £100,000 in the project. Clean-room facilities have been provided by Envalir (U.K.) of Rossendale, Lancs. The other Strunck units include an ultrasonic cleaning unit and a drying and sterilising tunnel in stainless steel.

Winds GRP pipes and tanks

AUTOMATIC PRODUCTION of glass fibre reinforced polyester (GRP) pipes, tanks and cylinders, ranging in diameter from 2 to 14 feet, and up to 40 feet in length, can be carried out on a winding machine developed by Venus Products Inc., Kent, Washington, U.S. Up to 60 filaments of glass fibre are drawn through the operating head which moves back and forth across a rotating mandrel to hoop-wind the material. Simultaneously, chopped glass and catalysed resin are sprayed on the mandrel. The equipment includes a proportioning mechanism and a high volume pumping system to supply the resin and catalyst, which are mixed at the spray head, and delivered at rates up to 40 lb/minute. Although the mandrel and its rotating equipment is not included (companies making pipe usually have this plant) its speed of rotation is controlled by the winding machine. Traverse of the winding head

can be either automatic or manual, and is infinitely variable to give flexibility of laminate thickness. Tapers can be produced by increasing or decreasing the speed of each pass. The whole operation is controlled by one man, usually with an assistant to handle materials. If the machine stops for more than a few seconds the system is flushed with solvent. Because moulds, especially for the larger sizes, are often made of wood, the machine is supplied with an applicator which can be used to apply a plastic film to the wood to act as a parting agent, or as a pipe liner. Alternatively the applicator can be used to apply chopped strand mat, woven rovings, fabricated mat, unidirectional tape or fabric. It can also be used when a corrosion resistant lining resin is required to apply the reinforcing glass fibre well when the special, ised resin is sprayed on the mould. Optional extras include a facility for swinging the head through 180 degrees, so that it can be positioned between two mandrels and work on each alternately, and a digital readout showing the amount of glass and resin being used. Development work is in progress on heads capable of making pipes with diameters down to two inches. The equipment is marketed in the U.K. by CT (London), 3, Hobart Place, London SW1W 0HW (01-235 1304).

COMPUTERS

Heavy spending by French Government

IN THE four years 1976-80, the computer manufacturing company formed by the amalgamation of most of Honeywell-Bull with the big machine section of the French Government's CII organisation will get an estimated Fr.1.2bn. of support from the Government. Parallel to this will run purchases of over Fr.4bn. of computers by a government organisation called CNME which will then lease them to Government groups and nationalised industries. However, Jean-Pierre Brule, president-director-general of the new organisation insists that while these figures appear to show there is massive Government support, this is not in fact the case. Firstly, the French Government's recent company is not committed to buy from his organisation; it will have to submit competitive bids. Secondly, without this aid, Honeywell-Bull could not have tackled the fundamental problem of rescuing CII from financial disaster and the French Government from the necessity of pouring more

INSTRUMENTS

Flow rates at high pressure

FLOW metering at pressures up to 1500 psi (100 deg. F) is possible to an accuracy of 0.5 per cent using indicators introduced by Brooks Instrument; repeatability is 1 per cent of full scale. Measurement is by movement of a metering plug in a fixed orifice. A magnetic coupling in the non-rotating guided plug activates another magnet in the rear of the instrument, giving a reading on a dial indicator. A choice is offered of direct reading scales or percentage scales with galls/min or per hour graduations. Model 3608C has flanged connections while the 3604C has NPT threads. All are rotatable and interchangeable. An electric transmitter can be provided optionally with outputs to various standards. More from Hemphill Lane, Stockport, Cheshire (061-480 8614).

hand have what might best be described as a "simulated swirl" - a joint-shaped piece of hollow metal filled with an oil sand mixture into which are inserted thermocouples. As one engineer pointed out, "it is not quite what one might have expected."

The bulk of the work at Watson House however is concerned with making sure that appliances reaching the public are all that they should be; official approval is the prime factor. One group of engineers is concerned with complete appliances - measuring efficiency (mostly in the 55 to 60 per cent region) and assessing safety while another looks, basically, at means of maintaining reliability at a time when more and more operational parts are being used in appliances. Much of the effort goes into accelerated testing of components.

METALWORKING

Indexer can triple tool production

AN AUTOMATIC spiral indexer, developed by Bristol tool and Gauge Co., when fitted to a standard universal milling machine, enables flutes to be machined on three cutting tools simultaneously.

The indexer has three spindles on 3.5 inch centres. Each spindle is bored through to take draw bars, or for holding a collet chuck or similar work holding device. Up to 36 equal divisions are provided by a quick-change index plate. Additional plates with unequal divisions (down to 10 deg.) can be supplied. The equipment enables spiral flutes to be machined on drills, reamers, milling cutters, end mills and similar cutting tools. Large components up to 6 inch diameter can be machined singly, and for this the centre spindle of the indexer is fitted with heavy duty bearings. The maker is at Church Road, Kingswood, Bristol (0272 674651).

Pneumatic feed for power press

PULLING AND clamping power for progression of power press stock material can be provided by the Micropower air gripper feed. Using two valves and a single air cylinder, the unit can be

adjusted to give an exact flow of air to suit the feed pitch set without restricting the clamping and pulling power. To pitch accuracies of ± 0.0005 inch. The device requires an air supply at 100 psi, and provides a pulling power of 100 lb. Automation can be achieved by the use of an adjustable trip arm attached to the press tool or to the slide ram of the press. Remote air control can be supplied. A repeater unit is available for multiple stroking. The maker is Gauges and Instruments, Woodside Works, Summersby Road, Highgate, London N6 5UJ. (01-883 9881).

Rolls spiral staircase frames

RINGS, SPIRALS and helical coils can be formed from tube, section or bar with the Tauring Alfa 50 ring rolling machine marketed by Addison Tool (Sales) Company, Westfields Road, London W3 0RE (01-993 1661).

Applications are diverse, ranging from the frames of spiral staircases to shop display racks. The machine can be slotted to operate vertically or horizontally according to the space available and the requirements of the application. Rolling and forming is performed in three shafts powered by a 4 hp motor, and carrying rolls which are split to accommodate flat strip on edge, or the webs of profiles such as angle iron or T section. Two of the shafts are adjustable against graduated scales; for different radii and the machine is controlled by pedals providing forward and reverse rotation of the rolls for progressive forming.

Quick look at tubes

DEVELOPED in conjunction with the CEGE as a means of examining a large number of tubes-boiler or condenser tubes-quickly is the Acoustic Ranger 1000, now in production by Industrial Electronic Services. Principle is to pass an ultrasonic pulse of between 100 microseconds and three milliseconds duration and up to 80 watts pulse power into the open end of the tube up to four times a second. Reflections occur at any point where there is a discontinuity that will provide a sufficient change of acoustic impedance. Obstructions, foreign bodies, perforations, kinks will all result in some reflected energy. By

Flying controls by DOWTY

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displaying the echoes received on an oscilloscope the distances and relative magnitudes of the faults can be determined. Original use by CEGE was in inspecting the internal condition of condenser tubes in power stations, but it can be used to look at tubes having a wide range of lengths and diameters. Applications are expected in the non-destructive testing departments of the oil, chemical, processing and boiler making industries, and in pipe maintenance in general. More from 271, Popes Lane, Ealing, London (01-567 6389).

CONFERENCES

Refreshing the senior minds

CAMBRIDGE University Engineering Department plans to repeat a four-week summer school next year (September 4 to 30) aimed mainly at 25- to 45-year-old executives in the electrical and electronics industries who need refreshing and updating in advances that have taken place over the last 10 to 15 years. Those in the telecommunications, computing and systems engineering fields should find the course useful, in particular if they have moved away from close involvement in scientific work to a broader field of management. Technical topics covered are not likely to have been treated in the participant's original degree course and will include the physics of the newer electronic devices, mathematics, systems and control technology. Some time will also be spent, however, on economics, and operational control. Energy conservation will be an optional subject. A series of after-dinner talks by distinguished speakers will form an important part of the non-formal activity. The school is residential at Trinity Hall and the inclusive cost is £225. More from Professor A. H. W. Beck, Engineering Dept., Trumpington Street, Cambridge (0223 66466).

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This means that there will have to be a successor to the big Honeywell Level 66 and the Iris 80. The successor machine will be drawn close together to the use of identical slave equipment, a common manufacturing technology, and an attempt to unify as much as possible of the software. The reason why this has to be done is because about 100 large users mostly in the French Government area have based their data processing on this big machine which means that they have spent many tens of millions of pounds already on writing complex instructions some of them for extensive computer networks covering the whole of France. It seems that the new company which has been given the awkward name of CII-Honeywell-Bull has its hands very full at the moment and that the freedom it has to manufacture the big Iris 80 (Level 66) is unlikely to be used all well into the 1980s.

Newhouse in Scotland is the nearest production centre for Level 66 and trade unions there have feared a close-down of this production line and its transfer to France under the wing of a new French group. This seems remote. But Honeywell U.K. is seeking to expand business with several other firms in the Middle East and elsewhere to increase sales from Scotland and provide a safety net for all eventualities. CIIHS is after all free to make its own decisions since 53 per cent of shares are in French hands. The remainder is held by Honeywell in the U.S.

Newhouse and Kamei Hemphill, where Honeywell has its process control and programming centre, are doing well with an export surplus of £4.6m, on £40m, worth of business in 1975 - expected to be considerably exceeded this year since turnover so far is up 22 per cent, and new orders are higher by 14 per cent. But the company has made representation to the U.K. Government against its preference for ICL computers because 85 per cent of Newhouse production is exported. Honeywell would welcome a better balance between exports and sales in the U.K.

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.



THERE'S A SET PLACE FOR PLASTICS IN STRATHCLYDE.

The manufacture, use and diversification of plastics is growing fast throughout the U.K. With new investments in plastics of over £1000m already committed for Scotland, Strathclyde is sharing in that success. The production of plastic products in the Region has led to an increase in employment as well as contributing to the growth of related support industries - synthetic resins and the production of plastic material as well as finished plastic products. Strathclyde is situated close to the major producers of raw materials for the plastics industry in Scotland. The range of components made in Strathclyde has expanded to meet the needs of major users in the Region, in the electronics, automotive and domestic appliance industries. Everything from toys to warships.

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Foot denies differences with PM on spending

By Justin Long, Parliamentary Correspondent

MR. MICHAEL FOOT, Leader of the House, yesterday criticised newspaper reports about Ministerial differences of view over the wisdom of further public expenditure cuts.

Many reports of a weekend speech by Mr. Peter Shore, Environment Secretary, had put his observations on spending cuts "out of context," Mr. Foot maintained in the Commons.

While Tory MPs probed Mr. Shore's weekend comments on TV that it would be a "gross act of folly" to increase unemployment by premature public spending cuts, Labour backbenchers wanted to insert their views into the controversy.

"Mr. Foot aware that many moderate MPs on this side of the House will oppose tooth and nail any further deflation either from tax increases or further public expenditure," said Mr. Christopher Price (Lab., Lewisham, W.).

Mr. Foot, replying on behalf of the Prime Minister during Mr. Callaghan's visit to The Hague, found he was handling a hot potato. He was not even sure which MPs could properly be described as moderate. Maybe the word should be outlawed, he suggested.

But the House still wanted to know whether other Ministers agreed with Mr. Shore on the spending cuts issue.

Mr. Shore's speech was, as usual, a "very wise and intelligent speech," declared Mr. Foot, and if his questioners studied it in detail they would see for themselves that it had been rendered out of context by the newspapers. What Mr. Shore had been doing was to put the cuts already made into perspective.

It was much better to have the subject discussed in that way rather than in the simplistic manner adopted on the other side of the House, said Mr. Foot. Mr. Jonathan Aitken (Con., Thanet, E.) suggested that Mr. Foot and Mr. Callaghan differed in their views about the present public expenditure situation—if Mr. Callaghan's recent speech to the Labour Party conference meant anything.

Mr. Foot dismissed the idea. "I can assure Mr. Aitken that so far from there being the slightest margin of difference between the Prime Minister and myself, we are absolutely at one," he said.

Miners

Mr. Dennis Skinner, the Left wing Labour MP for Bolsover, turned the exchanges to other matters he plainly thought might yield more information. He urged Mr. Foot to support the miners' claim for earlier retirement.

"I agree that miners have a strong case for a reduction in retirement age," the Leader of the House said. "The Government is sympathetic to that view, too."

"But we have to proceed towards it in a way that does not destroy the social contract and do damage to the economic position of the country."

The Liberals switched the subject to devolution, and Mr. Jo Grimond claimed that under Government proposals, Scotland would be hopelessly over-governed.

With this criticism reinforced by complaints from the Scottish Labour Party MP, Mr. Jim Sillars, Mr. Foot spent a major part of this question-time period earnestly arguing that MPs should give further study to the Government's proposals.

Time allocated for ship grants

A TIME LIMIT on applications for shipbuilding construction grants was announced by Mr. Gerald Kaufman, Industry Minister of State, in the Commons yesterday.

In a written reply, the Minister said that applications for ships delivered before December 1975, have to be received by May 31, 1977, and applications for ship delivered in the year December 1, 1975 to November 30, 1976, must be received by November 30, 1977. After that, applications must be received within a year of the date of delivery.

Stricter security urged for Cabinet documents

By John Hunt

PROPOSALS FOR stricter security rules on the handling of Cabinet documents are proposed in a report from the committee of Party Councilors who were asked to investigate the matter following the leak of documents to the child benefit scheme in the summer.

In a written answer last night, the Prime Minister, Mr. James Callaghan, said the Government broadly accepted the report, and detailed consideration was being given to implementing it.

Mr. Callaghan added that despite exhaustive inquiries, police had not been able to discover the source of the child benefit scheme leak.

Healey hints at lower income tax

By John Hunt

A STRONG HINT of income tax reductions in the spring Budget was given by Mr. Denis Healey, Chancellor of the Exchequer, in the Commons yesterday when he hit back at the Conservatives, who had put down a motion of no confidence in the Government's handling of the economy.

But he made it plain that any cut in direct taxation would depend on the type of deal which the Government could make with the unions over the third stage of incomes policy.

He hoped it would be possible to reach decisions on this matter by round in time for it to be reflected in the income tax provisions of the Budget.

At the same time, he indicated that he was looking favourably at the possibility of increasing the rate of Value Added Tax. He argued that as 50 per cent. of family essentials were zero-rated for VAT, it had now become a progressive tax.

Mr. Healey made no apology for the length of time being taken in negotiating the new loan from the IMF. He likened it to a bridging loan and said there was no question of the Fund seeking to impose a massive dose of deflation on Britain, or of enforcing a fundamental change in present Government policies.

On the question of reductions in public expenditure, the Chancellor warned that the cuts would not be painless. He also emphasised, however, that some of the "horror stories" in the Press recently bore little relation to the truth.

Unhappy

Looking to the future, he said the Government was thinking in terms of a national stabilisation programme covering at least two years, perhaps three. But he stressed that the immediate problem was to regain control of the pound sterling.

Mr. Healey also made it clear that he was very unhappy at a system which allowed many workers to receive more on social security when they were unemployed than when they were working. This, he said, was another major problem which the Government had to consider.

The Government was deeply concerned about the size of the public sector borrowing requirement, said Mr. Healey. Decisions on direct taxation would be possible only in the spring Budget. It would be impossible to take such decisions until the shape of the third pay round was known.

The Government believed it was essential to continue the

attack on inflation after the second pay round ended next summer in a way which would permit greater flexibility in wage bargaining.

He hoped it will be possible to reach decisions on this matter in time for it to be reflected in the income tax provisions of the next Budget.

"If, in the meantime, figures show we have over-estimated the size of the adjustments needed to bring the borrowing requirement down to the right level next year the necessary demand can be fed back into the economy by income-tax reliefs next spring."

On the question of borrowing, Mr. Healey said that the Government would be guided by the paramount need to give priority to manufacturing industry and to maintain the relationship with the unions.

Mr. Brian Sedgemoor (Lab., Luton) intervened to ask if the Chancellor was saying there was going to be a shift from direct to indirect taxation. He wanted to know whether the Government could conceivably be in such a suggestion.

Mr. Healey replied: "I am not suggesting anything in the nature of what you put to me." It was no longer true, he said, that indirect taxation was regressive and income tax progressive. In many respects, VAT was progressive rather than regressive.

Unless we reduced the size of the public sector borrowing requirement, we would find that we could finance it only by keeping interest rates at levels which, if they persisted for any length of time, would gravely damage the Government's industrial strategy. It was the conceded, immensely difficult to forecast the size of PSBR accurately.

"We must aim at a steady and continuous reduction in the size of PSBR. It cannot be sought in an increase in direct taxation. The level of income tax is already dangerously high and is damaging our economic performance."

Mr. Healey said there was a strong case for tackling the problem of overlap between wages and benefits. At the moment this was feeding the backlash among the low-paid against the whole concept of a wages agreement. The social and political implications should be a real cause of concern.

"This is one of the many reasons for seeking to reduce the level of direct taxation. This is another of the major problems the Government must consider before it takes its final decisions on what is required to meet the current economic situation."

'Lame duck Chancellor'

SIR GEOFFREY HOWE, shadow Chancellor, accused Mr. Healey of being wrong in all his economic forecasts.

Despite the Government's promises, the reality was high and still rising unemployment, and slow, still sagging growth. It was, he said, the Prime Minister "has wrenched from the Chancellor the role of economic forecaster," Sir Geoffrey declared.

He claimed that the Chancellor would not restore the credibility of his office unless he acknowledged his mistakes. Tories voiced their support when Sir Geoffrey said that, unless Mr. Healey made a fresh start, he would remain "a lame duck Chancellor."

When he added that people would support the Chancellor if he was wrong in his measures, Mr. Eric Beffer (Lab., Walton) shouted: "Get a new script."

Sir Geoffrey continued that Mr. Healey's policies were dependent on borrowing huge sums of money wherever it could be found, and Conservatives had "absolutely no enthusiasm for that approach."

The country was "sick and tired" of the endless cliff-hanger as the Government tried to reconcile the demands of the National Executive of the Labour Party with those of the IMF.

Sir Geoffrey asked: "When is the Chancellor, or the Prime Minister, going to disclose the contents of the letter of intent? When is he going to announce whatever package is going to emerge?"

"This really is the last chance, not just for this Government but

for this country, to put together a sensible economic package for the years ahead."

The British people would not forgive the Government if it produced yet another inadequate package which did not work and condemned the country to three months' more misery waiting for the next round.

Sir Geoffrey said there had been enough half measures. "We must make a success of the mixed economy. The Government cannot look for help from the public sector. It is to the private sector that we must look for the restoration of health."

The real threat was the size of the public sector. The conquest of inflation and control of the money supply were of fundamental importance.

Repeating to "witness" questions from Mr. Peter East (Con., SE Derbyshire), he pointed out that in accordance with Fund practice on stand-by arrangements, the formal letter of application by the U.K. would include a statement on the

economic and monetary objectives and policies of the Government, quantified where appropriate.

One of the purposes of the present consultations with the IMF, said the Chancellor, was to reach a common understanding on the matter.

He made clear that the report on the U.K. economy currently being produced by the IMF, in collaboration with Treasury officials, would not be published. "Such reports are documents of the International Monetary Fund and are always confidential."

The committee found that in a number of Government departments, all memoranda and minutes of the Cabinet were circulated to certain people as a matter of course, irrespective of whether the subject matter directly concerned the responsibilities of the particular department. In some cases, access was also enjoyed by junior Ministers, certain senior permanent advisers and special advisers.

"It does not seem to us that regular circulation of Cabinet documents can be justified unless those concerned have responsibilities which go beyond the policy boundaries of their own department," the report says.

Therefore, it recommends that Cabinet minutes and memoranda should not be shown regularly to anyone within a department except on the specific instructions of the Minister to whom the documents are issued.

The committee also suggested that a Cabinet documents officer in each department would have responsibility for the security of Cabinet documents.

The committee sees the need for tighter procedures for the transmission of documents and access to them. It proposes that the Cabinet Office should draw up comprehensive instructions on security procedures incorporating any of the committee's recommendations, which it accepts.

All's well with the men from the IMF

By Philip Rawstorne

MR. DENIS HEALEY's recital in the Commons yesterday of the report reached by the IMF suggested that the Government was about to sign a new social contract instead of a debtor's note.

There was no question the Chancellor asserted of the IMF attempting to force a fundamental change of policy down the Government's throat.

No question of the visitors from Washington bringing with them a massive dose of deflation.

On the contrary, the IMF team agreed full-heartedly with the Government's prognosis; commended its industrial strategy as the right recuperative treatment; and so admired the beneficial effects of its contract with the unions that it was recommending its adoption world-wide.

There were no divisions, Mr. Healey repeated, except in the feverish imaginations of the newspapers.

Like the Government the IMF believed that a two or three year "stabilisation programme" would be needed. And they were jointly convinced that any adjustments that had to be made should be done at once. "There should not have to be another bite at the cherry."

Mr. Healey did indicate that, even with the goodwill of the economic doctors, the cure could not be achieved altogether without pain. He hinted at further public spending cuts and VAT increases, though sugared with income tax concessions.

"The Government will decide," he concluded proudly. "The IMF will then decide whether the Government has decided wisely."

Whatever the physical reality, Mr. Healey's account of the Government's negotiations with the IMF certainly had a depressing psychological effect on the Conservatives.

If the IMF were not asking for blood, why would they listen to Sir Geoffrey Howe's surgical demands? Very few with any degree of enthusiasm, it appeared.

Sir Geoffrey's charges that the Government, having brought the country to its knees, now offered it only "a diet of false expectations," roused only Labour laughter.

"Nothing," jawned so widely, "he said, pointedly but ill-advisedly, focusing on the divisions in the Labour Party."

The IMF loan would bridge the gap in the Government's policies, Mr. Healey had said. But not even Mrs. Margaret Thatcher's heated intervention could disguise the holes in the Tory alternative.

THE CAMBRIDGE BY-ELECTION

The Light Blues' polite placidity

WITH A bare 24 hours to go before polling, the claim of the grave and learned Mr. Robert Rhodes James that is fighting Cambridge as a crucial marginal has finally been abandoned. For the Tory candidate, it is a natural play when defeat would be as colossal a disaster as the loss of Worthington and Walsall North was last month for Labour, but the City has resigned itself to the inevitable.

Eighteen shopping days to Christmas is a more rousing summons than one day to voting, and the campaign has settled into a polite placidity that not even the dutiful clamouring of the three principal candidates can disturb.

Disillusion

Cambridge is, of course, everyone's idea of a safe Conservative seat. For all the spice imparted by a large under-graduate population, it is a well-to-do, prosperous and stable community, and even no unemployment is tiny. Only twice since the war has Labour captured it—in the floodtide election years of 1945 and 1966; and 1976 most certainly is not one of those. Today, Labour is desperately struggling to hang on to second place in the teeth of a well-marshalled Liberal challenge, and the antics of the three fringe candidates do not conceal the deep disillusion with the Government in Cambridge as elsewhere in Britain.

The man with the unenviable task of trying to salvage something from the wreckage is Martin Smith, once a scholar at Sidney Sussex College, post-man and milkman, and now at 32, a teacher and chairman of the local Labour Party. He is likeable and committed, but it is a sign of his difficulties, and of his seemingly tepid espousal of mainstream Government policy—that of the three main candidates, he spends most of his time on local issues. His biggest drawback may simply be that he is the wrong man for the hour. In 1973, as young left-wing lecturers and journalists were sent to Parliament, he would have been in his element. Now, all too easily he can be cast as the symbol of left-wing unworldliness which has undermined the Party.

That Labour will lose thousands of the 19,000 votes it won in Cambridge at the last General Election is not in doubt. Even the council estates in the parts of Cambridge tourists never visit, he gains little response from his challenges to public expenditure cuts should fall. Canvassing returns are poor, and even if the battle of window-posters is running his way, a car with the ominous "Keep Wedgie in Russia" sticker parked in a grimy street could be a more accurate pointer to his chances.

Even the student and Hampstead-flavoured academic support which Labour could once count on may be waning. The politics of the 8,000-odd students eligible to vote has moved perceptibly to the right and in the University, as elsewhere, the Conservatives are better organised.

Life is made harder still for Mr. Smith by a well-run Liberal campaign in a constituency where they have recently done well. Candidate Dr. Michael O'Loughlin and his enthusiastic band of helpers feel that the 26 per cent. of the vote won in February, 1974, might be pushed up to 30 per cent. or perhaps more. On his side is vast local experience. At 53, this is the fifth time O'Loughlin has fought Cambridge. He is a sound campaigner, exuding common sense, and with an avuncular style resembling Mr. Jim Callaghan's, and confident that at last his hour has come. He conceals a logical scenario for a Liberal triumph—deep inroads into disillusioned Labour voters who just cannot bring themselves to back the man from outside, Mr. Rhodes James. Fellow of All Souls, Oxford, and lately of the UN, he is a big turn-out and the great experience and a distinguished background both in academics and administration. Not only a Fellow All Souls, he has also been a visiting professor at both Stanford University, California and NATO. He is an accomplished author and has just been granted permission by the Queen to write a biography of Prince Albert. He has found time to serve for nine years as a Clerk at the House of Commons, describing himself as a lover of the place even though he finds its present standards "depressingly low." Before leaving New York last July to return to British politics, he had served at the UN for five years, the last three as an executive.

But as a parliamentarian, he will be formidably armed, with a great experience and a distinguished background both in academics and administration. Not only a Fellow All Souls, he has also been a visiting professor at both Stanford University, California and NATO. He is an accomplished author and has just been granted permission by the Queen to write a biography of Prince Albert. He has found time to serve for nine years as a Clerk at the House of Commons, describing himself as a lover of the place even though he finds its present standards "depressingly low." Before leaving New York last July to return to British politics, he had served at the UN for five years, the last three as an executive.

The Liberals have seised their chance and have deluged voters with pamphlets. But even in Cambridge—so fortunate in its comparative insulation from national problems—decentralisation and a fairer electoral system may not be the magic formula for success. Nor, indeed, may Mr. O'Loughlin's reliance on Mr. Sharpe prove justified. The Liberal hope is, as assistant to the Secretariat of the well-known Dog and Pheasant Inn, "Perhaps most significant, he is Mr. Rhodes James' take some 3,000 votes from Mr. Rhodes James with his anti-bureaucratic populism, but even of both Mr. Healey and Mr. that probably would not be Thatcher (whom he has known enough in an electorate of some 21 and 17 years respectively) he seems poised to bring the high-calibre, younger his to Westminster at the age of 32.

As an intelligent and serious speaker, he manages to give predictions of the fate await the country, if it doesn't change its ways, positively Healey-echo. Hawkishness on public expenditure cuts and deficit is tempered by moderation.

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FINANCIAL TIMES SURVEY

Wednesday December 1 1976

Iceland

The Icelandic economy is beginning to recover from one of the highest rates of inflation in Europe, while at the same time seeing international vindication of its decision to extend its territorial limits 200 miles offshore. But while relations with the EEC remain healthy, the Keflavik Nato base is still a domestic political thorn.

Living with new territory

By William Dullforce, Nordic Correspondent

THE ICELANDERS are again their favourite sport of bashing the British—or so it must seem to the distant water-warrior of Grimsby and Hull. They have made it clear to the Commission negotiating with them on reciprocal fishing rights, that British vessels must stop fishing in their waters after 10 p.m. (December 1) on the day of the six-month agreement, which ended the third war between Britain and Iceland.

The Icelandic attitude is tough but understandable when put against the historical and economic background. Most of them feel that they are winning their full independence as a nation for the first time to-day, when at last they can claim exclusive control over their basic natural resource, the fish around their island. (Agreements with West Germany and Belgium are still in force but these cover mostly less valuable fish than the cod.)

Independence

After being for centuries a Danish colony Iceland gained political independence only in 1944. In 1901 Denmark made an agreement with Britain under which the fishing limit round Iceland was fixed at three miles with all fjords and bays wider than 10 miles open to trawling. That agreement was made against the wishes of the Icelanders and led to friction even then between the local inshore fishermen and foreign trawlers.

There are just over 219,000 Icelanders. They live immediately south of the Arctic Circle on a volcanic island

103,000 sq. kms. in area, of which 12,000 sq. kms. consists of glaciers and 11,000 sq. kms. is dried lava fields. The cultivated area is 1,100 sq. kms., or just over 1 per cent. of the total land area.

The Icelanders are descendants of Norse seafarers, mixed with Celts from Scotland and Ireland. In this century it has been from the sea that they have won a standard of living only marginally lower than that of their Scandinavian cousins. Only 13 per cent. of them work in the fisheries but they provide three-quarters of the exports to pay for the imported goods without which that standard of living would collapse.

In October last year, having extended their fishing limits twice before, first to 12 and then to 50 miles, the Icelanders had the nerve to declare unilaterally a 200-mile exclusive fishing zone round their island. It gives them control of 788,000 sq. kms. of sea.

They said at the time that it would not be long before other nations, including those most fiercely opposed to their action, would proclaim their own 200-mile zones. Had the British Government been far-sighted enough, it might have spared itself the cost of a third cod

war and the humiliation of British over-fishing rights that Iceland developed the highly lucrative American market.

The Icelanders are not entirely oblivious to the plight of the British trawlers whose livelihood comes from partly for political reasons, Icelandic cod fishing. Any Briton visiting the island will soon feel there is no hatred of the British and few Icelanders bear rancour over the intervention of the Royal Navy in support of British vessels. But they do refuse to take the blame for the unemployment in Grimsby, Hull and Fleetwood which may result from their action. In their view the writing has been on the wall long enough and the British Government has had sufficient time to plan for the restructuring of the British fleet required by the new international conditions for fishing.

For the moment Icelandic feelings are so intense about the final withdrawal of British vessels from their cod grounds that it would be extremely difficult for the Icelandic Government to allow the British to continue fishing, even if the EEC Commission could offer a reasonable quid pro quo in the form of fishing quotas for Icelandic

BASIC STATISTICS

Area	38,710 sq. miles
Population	219,000
GNP	Kr.185bn.
Per capita	Kr.845,000
Trade (1975)	
Imports	Kr.75bn.
Exports	Kr.47.4bn.
Imports from U.K.	£24.9m.
Exports to U.K.	£16.2m.
Currency: Krona	21=Kr.304

fishermen in EEC waters. This in fact Mr. Gundelach appears to be unable to do.

The Icelanders also feel that with their fishery experts demanding cuts in the allowable catch of the depleted cod and economists claiming that the fishing fleet has expanded too rapidly they have more than enough to do to reorganise their own fisheries.

In time, however, when feelings have calmed, longer-term views can prevail and the EEC succeeds in sorting out its internal fisheries policy, there could be a better chance of a fishing agreement with Iceland. The situation which comes into existence on January 1, when the EEC also moves to a 200-mile limit, reopens for the Icelanders the question of their future relations with Western Europe.

Iceland is a member of EFTA. She has a favourable trade agreement with the EEC, which only came into full effect last June, when the six-month fishing agreement with Britain allowed the ban on EEC imports of Icelandic fish to be lifted. Last year Iceland bought close to 45 per cent. of her imports from the Community, which in return took only about 23 per cent. of her exports.

Income

Trade with the EFTA countries is closer to balance with roughly 20 per cent. of both imports and exports. Trade with the Soviet Union under a clearing agreement left Iceland with a deficit last year; she took close to 14 per cent. of her imports, mostly oil, from the Russians but sent only just over 10 per cent. of her exports in return. Finally, the U.S. is the biggest market for Icelandic fish, taking close to 30 per cent. of her total exports in 1975 while supplying less than 10 per cent. of her imports.

Britain was at one time the traditional export market for Icelandic fish and it was at least partly due to the successive conflicts and cod wars with the

British over-fishing rights that Iceland developed the highly lucrative American market. Some Icelanders would like to re-expand the EEC market, partly for political reasons, rather than the cod and haddock, which Britain wants but which also fetch good prices in America.

Then there is the Nato link. Iceland is in a strategically vital position, covering the approaches to the Atlantic for Soviet submarines, surface vessels and aircraft from the giant Kola military base. The Icelanders have no armed forces of their own but provide a reconnaissance base and listening post which form an essential part of the Nato chain. This function is effected chiefly from the Keflavik base operated by the Americans near Reykjavik, the capital.

Iceland's Nato membership has always been a controversial domestic issue. The Left-wing People's Alliance, has consistently sought to take Iceland out of Nato and was closest to achieving its goal, when it formed the previous government in alliance with the Progressive Party. The return to power in the 1974 general election of the pro-Nato Independence Party under the present Prime Minister Mr. Geir Hallgrímsson also in alliance with the Progressives, thwarted them and indicated that there was still a firm majority in favour of Nato. The Keflavik base agreement with the Americans was, however, revised to allow more Icelanders to be employed in operating the base, which is also the main civil airport for the island.

Talk against Iceland's membership always revives during a cod war, in some measure as an instrument of winning American influence against Britain but also because more Icelanders argue that there is little point in a defence alliance which does not protect Iceland's interests against one of her own allies. During this year's confrontation the government successfully contained the rise in anti-Nato sentiments although there is currently a revival of what is known as "arobism." This derives from Aron Gudbrandsson, a bond dealer, who has long argued publicly that Iceland should hire out the base to the Americans at its full market value.

Over the past few years the base has provided annually between 3½ and 6 per cent. of Iceland's foreign exchange earnings and at present provides work for just over 2,000 Icelanders. Under the new agreement the Americans have undertaken to spend \$20m. a year over the next two years in improvements to the airport.

Recently the Russians have been showing greater interest in Iceland, stepping up calls by fishing and other vessels, increasing the number of visits by Soviet scientists and opening an office for the Novosti news agency. This development causes concern among some members of the government, as does the growing evidence that with the general build-up in their naval power the Russians are seeking to shift the front-line for their maritime defence beyond Iceland into the Atlantic. Some leading Icelanders read the situation as underlying the need to maintain close links not only with the U.S. but also with Western Europe.

In the immediate future, however, the main preoccupation of Mr. Hallgrímsson and his Progressive partners is likely to be the economy and domestic politics. This year the economy has shown the first tentative

signs of recovery from the profound setback which set in soon after the international oil crisis in 1973. It led to two devaluations of the krona, the sharpest rate of inflation in Europe and significantly lowered Icelanders' real disposable incomes.

As always with Iceland the basic causes of this setback were external, but Mr. Hallgrímsson's Government has so far had only partial success in bringing into effect the internal counter-vailing measures needed. It is now facing a serious test of its ability to provide the decisive action which its safe majority in the Althing (Parliament) warrants.

Inflation

If the continuing very high inflation rate is finally to be curbed, the new national wage agreement due to come into effect in May must restrict income rises. However, inflation itself, the real fall in Icelanders' living standards and discrepancies among income categories have stoked up the demand for substantial wage increases. This demand is reinforced by the improvement in this year's export prices, an improvement whose staying power has yet to be proved.

Mr. Hallgrímsson has set up a special committee, including representatives of all the political parties, the unions and employers, to examine the causes of Iceland's excessive inflation and to prescribe remedies. The committee—as much a political as an economic exercise—aims at achieving a consensus in favour of a tough line on wage increases.

The Independence Party which is most accurately described as liberal/conservative, holds 25 of the 60 seats in the Althing and governs in coalition with the second largest party, the Progressive, which has 17 members and whose electoral base is in the Co-operative Movement and among the island's farmers. The Progressives are led by Mr. Olafur Jóhannesson, Mr. Hallgrímsson's predecessor as Premier.

The coalition is an uneasy one. Recently there has been speculation that the Independents would like to sever the tie with the Progressives and seek instead a coalition with the People's Alliance (11 Althing seats) and the Social Democrats (5), who have greater influence in the trade unions.

It is probably too early for such a move but Independence Party tacticians undoubtedly have their eyes on the next general election due in 1978, when they hope to renew their mandate and when the prospect of a change in the coalition could promote their chances. Closer co-operation between the Independents and the People's Alliance could result in a more concerted economic and labour market policy but it would also call for some interesting compromises over Iceland's link with Nato.



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Ship	Days	Departure	Arrival
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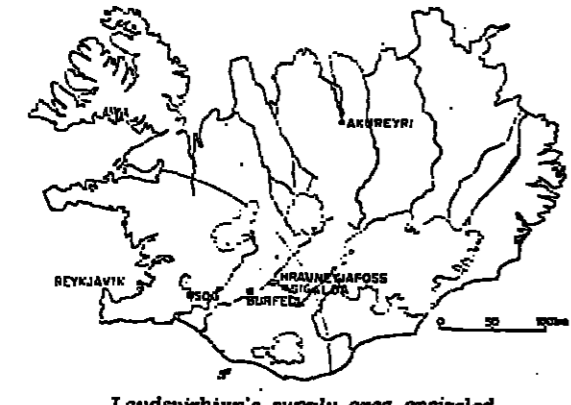
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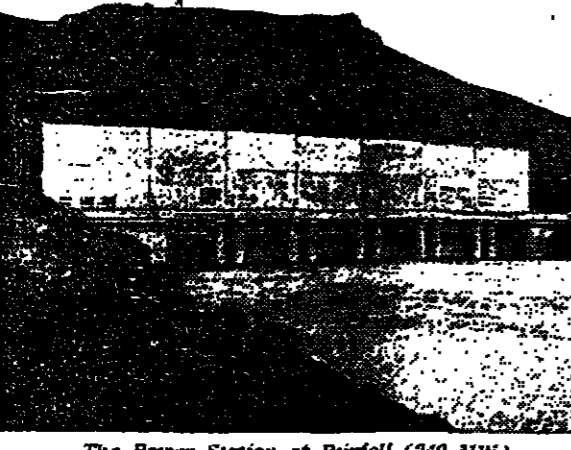
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ICELAND'S ECONOMY turned the corner this year. It has been flashing recovery signals after two traumatic years in which the current account deficit reached crisis proportions, the krona was devalued twice, GNP declined sharply and inflation hit annual averages of 54 per cent in 1974 and 37 per cent last year. This year the improvement on current account has beaten expectations. Gross national income, boosted by a favourable switch in the terms of trade, should rise by close to 2 per cent and Government efforts to restrain public spending are beginning to bite. Almost incredibly, Iceland has kept near full employment throughout the recession.

Optimism must, however, be tempered with caution. Not all signals are flashing green and the economic equilibrium is always difficult to attain and hold in Iceland, which is so heavily dependent on the demand and price fluctuations of foreign fish markets. The payments situation is not yet stabilised and the most disappointing factor of all—the rate of inflation will remain over 30 per cent on an annual average basis this year.

The recently appointed government committee of inquiry into the problem of inflation, which is due to report in February, could be the most influential factor in stabilising the economy over the next couple of years. There is much unrest on the labour market, demonstrated by the sporadic strikes of recent weeks, and there exists a strong pent-up demand for real income improvement. The current wages settlement expires in May and, if inflation is finally to be curbed, it is essential for the unions and employers to agree on only moderate wage increases for the next period. Both are represented on the government committee along with all the political parties.

Early in the summer the government was forecasting a fall of 2.2 per cent in the GNP this year following a decline of 3.9 per cent in 1975. Last month the National Economic Institute expected the fall in GNP to be no more than 1 per cent, which with an average improvement of 10-12 per cent in the terms of trade, would give

a rate of growth of over 2 per cent in real national income.

The most significant improvement has occurred in the balance of payments. Export production has probably grown by 4 per cent this year, due to a slight rise in the fisheries output and a considerable increase in aluminium and other manufactures. The export of goods and services is expected to show an improvement of 6-7 per cent, while the reduction in imports should be close to 3 per cent.

At the same time, export prices have risen by 17-18 per cent against a much lower growth of 5-8 per cent in import prices, leading to an improvement in terms of trade of 10-12 per cent against deteriorations of 11 per cent in 1974 and 15 per cent last year. Iceland's terms of trade are thus still far from their 1973 level but it should be recalled that in that year foreign exchange prices shot upwards by about one-third.

Budget

The current account deficit looks like turning out at some \$60-65m. this year or 4-4½ per cent of money GNP against 11½ per cent last year, when the deficit was \$140m. Earlier in the year the government was budgeting on a deficit equal to 7 per cent of GNP. The improvement is partly due to the growth in prices and demand for fish products and partly to larger deliveries of minor exports such as diatomite and sheep products, but also to heavy sales of aluminium from stocks by the Alusuisse plant at Straumsvik. The aluminium picture is now more uncertain, so that there is a question whether the underlying balance has improved as much as the figures suggest.

The foreign reserves have risen sharply because Iceland has continued to borrow heavily abroad. The central bank's foreign exchange assets rose from \$47m. at the end of 1975 to \$81m. by the end of September. Part of the borrowing was needed to cover capital imports for power development projects, whose requirements will taper off next year. Foreign borrow-



ing this year will probably be roughly equal to that of 1975, when the total was just over \$100m.

The foreign debt at the end of June was \$427m. and his debt repayment including interest in 1976 was expected to be as high as 17 per cent of the improved gross export income against just over 14 per cent in 1975. These figures do not include the IMF debt of 60.6m. SDRs.

Iceland, it is evident, has borrowed heavily abroad over the two last years both to meet its deficit and, it must be said, to maintain employment. A fair proportion of this borrowing has, however, gone into export-promoting and import-substitution investments, chiefly in the energy field.

In this respect Iceland has been remarkably successful in reducing its dependence on fuel imports since the 1973 oil crisis. This year it will import some 400,000 tons of fuel oil from the Soviet Union against 473,200 tons in 1974, which was already 5.5 per cent lower than in

1973. The forecast for next year is a further cut to 380-390,000 tons. The import cuts have been due to an extension of the communal heating systems fuelled by the island's geothermal resources. The proportion of the population using geothermal heating in their homes has risen from 45 per cent in 1973 to 53 per cent last year and is due to reach 77 per cent by 1985.

The payments balance remains a problem, the main question being whether Iceland can continue to reduce its foreign deficit without a further improvement in the terms of trade. Central to the turn-around this year was the development of the terms of trade accompanied by the fall in investments and zero growth in private consumption, all of which was taken into improving the payments balance.

However, for the immediate future the major preoccupation of government economists must be the rate of inflation, for there is obviously still too much

steam in the economy. But, if any incomes settle down to some extent and the economy begins to adapt to a 10-15 per cent rate of inflation, which they have had of Europe. But now the balance of payments has been rising 25 per cent level this year is faster than the increase in incomes, and by the end of October the commercial banks had already exceeded the 18 per cent limit for credit expansion year stems from the carryover effects of the imbalances created by the extraordinarily high inflation of 1974 and 1975. These forces, it argues, are still working their way through the system. Increases in nominal incomes were not the major cause of the 1976 inflation, it

Balance

Without doubt policy towards the end of 1975 was to choke off latent price increases which in turn may have led to an under-estimation of the pressure for price increases during 1976, but it is difficult to accept that the central income settlement made early this year was not inflationary. The switch from indexation to a threshold system for wage increases, was undoubtedly an improvement but nominal wages will all the same have risen by some 27 per cent by the end of the year.

Another inflationary factor was the upward surge in export prices which spilled over into the economy. Increases in fishermen's earnings always stoke up demands for wage rises from other sectors and the export improvement on domestic inflation is handled next year will be important. It is now widely agreed that the incomes settlement to be negotiated early next year will be decisive for the battle against inflation.

Both the Finance Ministry and the National Economic Institute expect the Treasury to be in balance this year after showing a deficit of some 100m. last year. By the end of October the central government's financial position was a deficit of 100m. compared with a deficit of 425m. at the corresponding time last year. The Institute was forecasting an approximate balance on a cash basis for the year as a whole against a deficit of 100m. in 1975.

The government has already shown some determination to extend to the end of next year the "special" tax levied originally for six months from the middle of 1975. The rate has also been raised from 10 to 18 per cent. There will be considerable cuts in public investment next year and overall spending will allow for only minor increases in volume. The government is also exercising much tighter control on the investment fund loans and strict surveillance of the semi-autonomous government agencies.

To sum up, Iceland has experienced this year a modest recovery which has shifted the emphasis in the economic policy from defence of the current account to curbing inflation. Much will depend on the kind of incomes settlement reached and on the continued strength of the export demand but the government does seem to be getting its credit policy and budget controls into gear at the right time. If the need for curbing inflation is not met by a negative item, it must be outweighed by the opportunity for better management of the fisheries offered by the introduction of the 200-mile fishing limit and the virtual exclusion of all foreign fishing.

The National Institute is tentatively forecasting a rise of 1-1½ per cent in GNP next year, a rise in private consumption for the first time in three years of 3 per cent and a somewhat smaller increase in public consumption. With the current balance remaining more or less unchanged in real terms the deficit in 1976 should be 2-3 per cent of GNP. The rate of inflation should be moderate towards 20-25 per cent in the first months of 1977 but its subsequent movement, the Institute says, will be "highly dependent on the new general wage agreement."

UP TO the time when the first British soldiers stepped on shore in Reykjavik in May, 1940, to occupy Iceland during World War II, the country had been an innocent society consisting of farmers and fishermen. Today it is a modern, western society, basing its well-being not only on fishing and the fishing industry, but also on industrial production. There are no mineral resources to be found in Iceland, but the country is nevertheless extremely rich in harnessable hydro and geothermal energy.

Icelanders have not yet made up their minds about what they will do with this abundant energy, which either comes from the many glacial and clear-water rivers or spouts up as a result of volcanic activity just beneath the island's surface. Iceland suffers from the fact that no Government, either past or present, has come up with any clear cut long-term energy and industrial policy, which reflects the fact that Icelanders do not agree among themselves what to do with the almost boundless reserves. Most people agree that the hydro and geothermal sources should be harnessed and used to make electricity for power-intensive industry, but the argument is whether Iceland should admit foreign investment into the country to build industrial plants or let the State do it all by itself. Up to now the national economy has been heavily dependent on the fishing industry, but it is an accepted fact that the country must try to diversify its economy.

Feasibility

Industry in Iceland is at the moment mostly on a small scale geared for the local market, but in recent years the industrial sector has tried to secure larger and larger export orders, especially for fish products, wool and skin goods. Rising oil and energy costs in the world has made it feasible for Iceland to plan an intensive industrialisation programme.

According to Mr. Halldor Jonatansson, the deputy general manager of Landsvirkjun (the National Power Company) the technically and economically harnessable electrical energy from hydro and geothermal sources in Iceland is estimated to be not less than 10,000 Mw of installed capacity assuming 5,000 hours of utilisation per year and taking into account ecological considerations. The electrical energy production in 1976 is estimated at about 500 Mw which shows that presently only some 5 per cent of the minimum electrical energy potential has been harnessed. For the acceleration of electrical power development in Iceland some power intensive

industry has already been established in the country with the participation of foreign investors, but the future trend in this respect is of course subject to the Icelandic Government's policy from time to time.

The power-intensive sector in Iceland is still very small. Cement and nitrate plants have been in operation for years, owned by the State. A diatomite plant at Lake Myvatn, owned jointly by the U.S. Johns-Manville Company and the Icelandic Government, mines the rich diatomaceous deposits on the bottom of the lake; its annual output is about 24,000 tons. The Swiss Aluminium Company owns an aluminium smelter company—ISAL—just outside Reykjavik, which produces about 75,000 tons of aluminium annually. The Swiss-based company plans to enlarge

the smelter factory but had market forecasts in September forced the company to postpone the plan.

A ferroalloy plant is under construction in Whale Bay. The plant was to be a joint U.S.-Icelandic venture, with the Union Carbide Corporation owning 45 per cent and the Icelandic Government 55 per cent of the stock. However, Union Carbide backed out, paying Iceland \$4.6m. in compensation, because it felt that world markets for ferroalloy did not look promising. Iceland then turned to the Norwegian company Elkem Spigerverket AS, which will join the venture as 45 per cent owner, and will market the production. Dr. Gunnar Sigurdsson, chairman of Iceland Alloys, said that this will be a two-smelter plant, producing 50,000 tons of 75 per cent ferro-

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Growing tourist appeal

ICELAND—EUROPE'S second largest island—is off the beaten track geographically, but it is very much a part of the Western community. Located 9th and 10th centuries by a mixed stock of Norsemen, mainly from Norway, and Celts from the British Isles, who were brought along as slaves. The ruling class was therefore Nordic and the language is the closest of the Scandinavian languages to Old Norse, but the genuine Icelandic love for his very own poetry is believed to be a heritage from the Celts.

The nature-lover visits Iceland because of its naked, rugged, rare birds and semi-arctic fauna. The businessman and the banker come to fish in Europe's best salmon rivers and to escape from the boardroom, if only for a week. The tourist wants to see the hot springs, lava fields and glaciers and to explore the land where the Viking Sagas were written centuries ago.

Tourism is something very new in Iceland. It only started in the 1950s, shortly after the country became an independent republic (it was for centuries a Danish colony). In 1950 only 433 tourists came to Iceland, for people living in the over-populated and polluted cities of both Europe and North America. It is a volcanic island with about 1,000 lakes, sand and other wastes—a truly spoiled terrain.

Sparse

Due to the fact that Iceland is the most sparsely populated country in Europe, with about two people per square kilometre, it is becoming a favourite resort for people living in the over-populated and polluted cities of both Europe and North America. It is a volcanic island with about 1,000 lakes, sand and other wastes—a truly spoiled terrain.

The population lives on the narrow coastal belt with high and low fishing villages. The capital, Reykjavik, has a population of about 90,000. Foreigners visit Iceland mostly from the middle of May through September, during the period of bright nights, when time hardly seems to matter and the sun

has been made to attract even never sets. A cross-country photo safari in four-wheel-drive vehicles is a unique and unforgettable experience.

It encompasses some of Iceland's 11 major glaciers, the largest being the Vatnajökull (8,456 km²), the world famous Hekla and Katla volcanoes, the hot spring Geyser, and countless other hot springs and spouting geysers of every size and shape—not forgetting old and new lava fields. One does not have to drive far into the highlands to feel totally alone, so much so that tourists have been heard to claim that one could not be more alone on the moon.

Visiting fishing towns and villages is also an interesting experience. Almost everybody, including the very young and the very old has to work in the fishing industry. Most school-children above the age of 12 get a summer job in the freezing plants or the fish meal factories, playing their part in the hard fight for existence in Iceland, which bases its economic survival on the already overfished fish stocks off the island's 3,700 miles coastline. The most interesting fishing town to visit is on Westmann Island, off the south coast. It was almost completely ruined by ash and lava during a volcanic eruption in 1973. Now almost totally rebuilt, it has been likened to a modern Pompeii.

Salmon fishing in Iceland is mostly for the rich. Every summer during July and August, many national leaders such as President Kekkonen of Finland, royal heirs such as Prince Charles, business leaders, famous actors, bankers, generals and politicians come to Iceland to fish salmon in one of more of its famous clearwater rivers. They spend a few days in the farming valleys, where they can fish all by themselves, away from telephones and tele-



Not the horrors of Heimaey Island, but a major tourist attraction—the aptly named hot water springs at Geysir.

spend a great deal of foreign currency on fish permits, upkeep, transportation and other expenses. They leave the visitors alone. If their paths cross, the visitor is hardly ever asked for his name or title.

"Fishing in Iceland's beautiful rivers is the only relaxation I experience every year," says a President of a large multinational company, who comes every summer in his private executive jet, along with a few friends. For the less affluent Icelandic air offers a number of package tours, including a 13-day safari camping tour with full transport and board, tent and guide service at a price of £348 from London to £483 from Frankfurt.

Bird-watchers can get four days in Akureyri in the north of the island, including two nights in fish all by themselves, away from telephones and tele-

Salmon

Reykjavik has much which is different to offer the tourist. There are outdoor swimming pools heated by water from the hot springs. One of Europe's best salmon rivers is right in the middle of the city. Its central heating system uses cheap,

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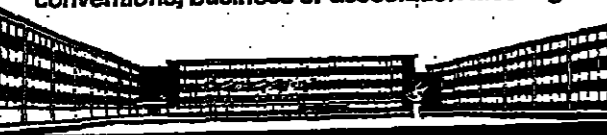
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Energy

CONTINUED FROM PREVIOUS PAGE

silicon annually after 1980. The first 25,000-ton smelter will be ready for production in the middle of 1978, and the second in 1979-80, total basic construction cost is now estimated to be \$80m. The new Nordic Investment Bank in Helsinki is considering an application from Iceland for an extensive construction loan for the plant.

Iceland, which has close ties with Norway, is interested in entering into further joint industrial operations with the Norwegians. Norsk Hydro has shown great interest in constructing a 100,000-200,000 tons aluminium plant on the Icelandic north coast, close to the industrial and commercial town of Akureyri. This idea has already caused some controversy among Left-wing groups and conservationists.

"It is possible to operate two or three large aluminium plants in Iceland, plus other mineral smelters and chemical plants," says Mr. Ragnar Halldórsson, managing director of the ISAL aluminium company. The electricity for the ISAL plant comes from the 210MW Búrfell Hydro electric station, which is about 150 km east of Reykjavik. The power for the ferroalloy smelter will come from the Sigalda power plant, which will produce 150MW when it is completed shortly. Both the Búrfell and Sigalda power plants are wholly owned by the National Power Company, which is a 50-50 partnership between the Government and the City of Reykjavik. The next plant, which is still on the drawing board, will be the 210MW

Hrauneyjafoss power plant. It is expected that bids for work on this will be issued early next year.

Iceland's first geothermal power plant is being constructed in the north of the country at Krafla; it will produce 60MW. Its power will exclusively be used for the north coast area, which has suffered a serious shortage of electricity during the last two or three years. The Krafla project is a controversial issue in Iceland, cutting across political lines, because of its location in a volcanically active area and because, after drilling nine holes of between 2,000 and 3,000 metres each into the earth's crust, there is still a shortage of geothermal steam to drive the two Mitsubishi turbines. The lack of sufficient steam will probably delay the project, which otherwise would have been ready at the beginning of next year. The Krafla project is a pioneering scientific venture, giving Icelandic scientists valuable experience in harnessing geothermal energy.

Increasing

The geothermal central heating industry in Iceland is now estimated to supply 55-60 per cent of all houses in the country. In the next few years, this percentage will rise rapidly, saving expensive imported oil. Iceland has imported most of its oil from the USSR, and it owes the Soviet Government large sums of hard currency, a debt which most Icelanders would like to pay off as soon as

possible. It is planned that within a reasonably short time, 80 per cent of all houses in Iceland will use geothermal heat and the remaining 20 per cent electrical heating systems. The only need for oil in the near future will be for transportation and fishing.

Ever since Iceland was settled some 1,100 years ago, Icelandic wool and woollen goods have been known as high quality products, both on the Continent and in Britain. "Even though the ways of commerce have changed," said a spokesman for the Export Board of Icelandic Industries, "Iceland is still heavily dependent on external trade and its wool." It was not until the early 1980s that manufacturing of Icelandic woollen clothing for export started and since then demand has increased. In 1970, just

over 120 tons of knitted woollen clothing was exported for about \$1.1m, but this year it is expected to reach 340 tons, valued at around \$7.5m. Last year, Iceland also exported 550 tons of a popular hand-knitting woollen yarn and blankets. The markets for this are mostly in Western Europe and North America, and the largest producers are Alafoss, Samband of Iceland, Hilda and Eider Knit (which also owns a wool factory in the Glasgow area).

Icelandic sheep and lamb skins are also an important export item. Skins are exported both semi-tanned and fully tanned. A spokesman for the Export Board said that the goal is to double the export of wool and skins within the next three years from a value of \$13.4m. In 1975 to \$26.8m. In 1978, J.M.

Full Steam for Sudurnes

In Sudurnes on the South West Coast of Iceland, one of the country's most important fishing districts, geothermal power is being harnessed for the heating of houses and industrial plants as well as the international airport of Keflavik. The benefits are great, for the people and enterprises of the area in lower heating costs, for the country as a whole in reduced oil imports.

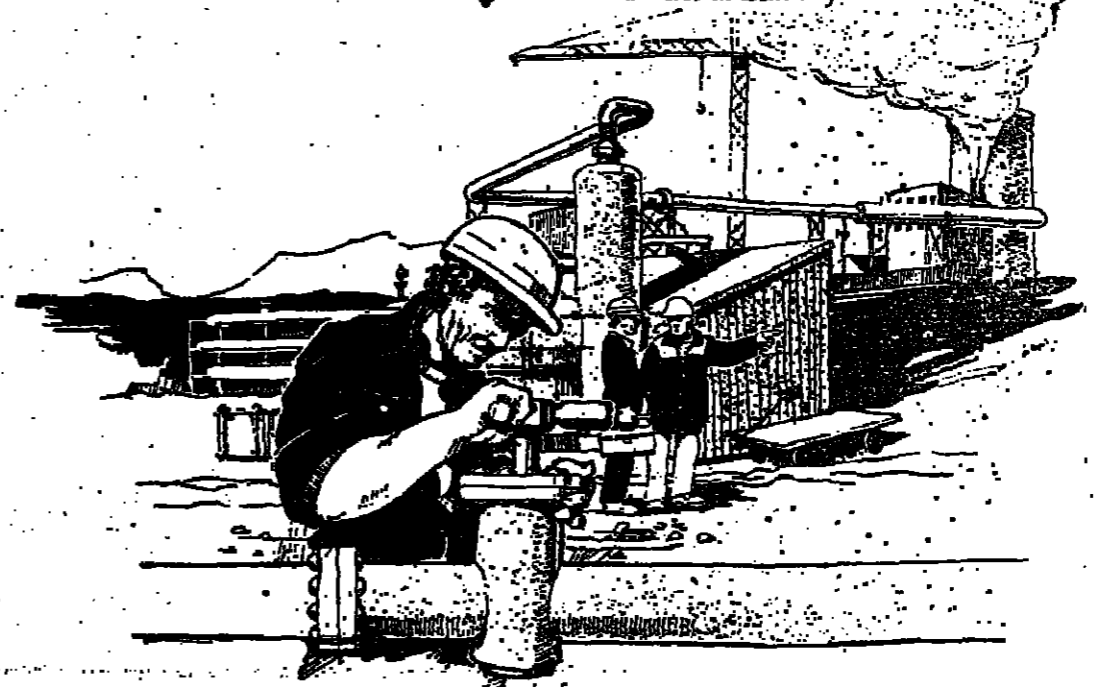
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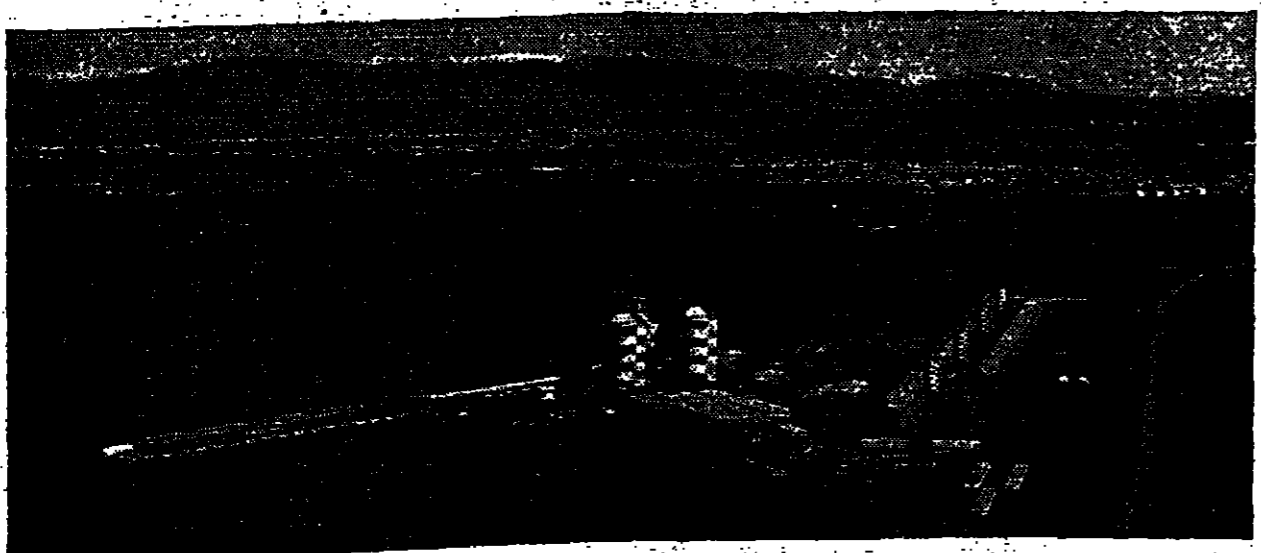
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The Management Page

EDITED BY JOHN ELLIOTT

John Elliott reports on an academic post intended to improve the way that companies manage all their design resources when developing their products

Professor for a new discipline

TOO MANY British-made products fail to sell well overseas, not because they are too expensive but because they lack what is sometimes called fitness for purpose. In other words, they are badly designed. This is not a new discovery, but it is a weakness which has been highlighted by a number of recent studies conducted by the National Economic Development Office and others.

Now the Design Council, with the encouragement of the NEDO, is trying to foster the idea that at the heart of the problem is the fact that most companies fail to manage their product design properly. The council has helped to set up the first Chair in Design Management at the Royal College of Art with an £84,000 seven-year grant from the Wolfson Foundation and to-day it is announced that the man to fill this professorial chair will be Mr. Brian Smith, former chairman of P.A. Management Consultants.

Develop links

Mr. Smith, 57, spent his early years in production engineering before he joined P.A. 27 years ago. He is vice president of the Royal Society of Arts, a member of the Design Council and a past president of the Institution of Engineering. The job of the professor is to develop links between designers and industrialists and to establish within two or three years a post-graduate masters' degree course in design management at the college. It is hoped that the degree will be taken by an equal number of people from management and design backgrounds who would then move into design management careers.

Mr. Smith starts his new job on January 1 with the intention of causing design management to be recognised both as an academic discipline and a necessary managerial function. At present, however, it suffers from the fact that many people may think that trendy packaging and logo designers are trying to claw their way into management positions. Indeed it is true that industrial designers are using the current debate as a platform from which to try to boost their professional status.

The job of design management however is far wider than that of the industrial designer and it is partly for this reason that a management consultant has been appointed to the professor's chair. About 20 people applied for the £23,947 a year job and the final choice was made from a short list of six who included an engineer, an industrialist, a designer, business studies academic, and an administrator.

It had been assumed that a designer would be given the job but it is now recognised by the organisers that a man from a management background, working from the Royal College of Art, has more chance of success despite the reservations with which management consultants are sometimes regarded in industry.

First Brian Smith has to define for a somewhat sceptical world precisely what design management is. He has not yet finalised his definition but he starts by saying: "Design management is the management of the production and industrial all design resources in the company right through from product planning to the whole design team which includes the marketing man, the research and development engineer, the product engineer and the industrial designer himself. In the same way as there are managers for resources such as finance, personnel, and purchasing, so there must be a manager for innovation, bridging the gap between the designers and the producers. . . . Designers say they are not properly understood so products are bad and do not sell well abroad, while



Mr. Brian Smith seen outside the Royal College of Art where he has been appointed to be Britain's first professor of design management.

He acknowledges that the job of overseeing a company's work — from discovering what certain markets want through to the design, manufacture, servicing and maintenance of the final product — might be thought to be just what a managing director is for. If that is so, he says, managing directors fail more often than not to do it properly which proves the need for a new managerial skill whatever the man might be called.

He deplores the fact that it is easier, for example, for the Government to pour money into a company like the Meriden motor bike co-operative than it is actually to make the people involved design a product that maximises the gap between value and cost and sells at the right time in the right quantity in the right market and at the right price. "It is a question of getting your products right and that is a qualitative problem as well as a quantitative one. What I have to do is to prove the case that well designed products pay off."

As part of his research he will be looking for good examples of companies with a "serious design philosophy which permeates right through the whole organisation," probably run by a director of design. He quotes Philips, IBM and IIT as companies widely recognised for doing this job well and for reaping the benefits.

"It is all a matter of bringing together all the skills, including highly specialised ones such as people experienced in patents and copyrights, market research, safety and reliability and production engineering. But you cannot define precisely the limits of design management because at one end you have Mary Quant or Terence Conran who are in the business of designing for fashion and aesthetics while at the other are builders of nuclear power stations and aero engines where design needs an extremely high content of technological engineering."

Between these extremes, are masses of firms producing kitchen equipment, machine tools, boots and shoes and other goods and in every case the requirement of design management will vary.

One fault

"It's not only a matter of having good designers or good research and development engineers. Their work has to be turned into products and the managerial co-ordination of all this is not done well at present," he says, quoting some recent academic research which, he says, shows that one fault in Britain is that industry does not spend the £12 on tooling, pilot products and new plants that is needed to back up every £1 spend on research and development.

Perhaps because of his background, Mr. Smith is even-handed on the issue about whether companies should have industrial designers on their staff or employ outside consultants. "It's the same issue as management consultants," he says. "You need the design consultant for expert work — say on the use of polymers — but that doesn't mean you subcontract all your design any more than you subcontract all your management."

Mr. Smith is cautious about how fast he will be able to produce positive results and talks in terms of spending his first year as a professor on research without building up a big college department. It will be a year during which a lot more will be heard about the need in Britain for industry to manage its innovation work more effectively.

65+
PENSIONS
and BENEFITS

Independence of the trustees

BY ERIC SHORT

LAST WEEK'S news that Automatic Oil Tools, an electronics company facing liquidation, had failed to pay members' pension contributions to its pension fund managers brought home the fact that management of pension schemes is not necessarily straightforward or uncomplicated.

Employers and trade unions usually negotiate a scheme together and decide on the level of benefits and the apportionment of contributions. But the running of the scheme is the responsibility of the trustees and not the company itself. The trustees' responsibility must at all times be towards the members of the scheme and if necessary they must be prepared to stand up against the employer.

This is one of the reasons why the Government is proposing to legislate for 50 per cent member participation through recognised independent trade unions on all pension scheme Boards and why the pensions industry proposes that member representatives are elected by the members. The interest of members must not only be placed first and be seen to be placed first and it is doubtful whether this can be achieved if the company appoints all the trustees. This is because there would always be a temptation for employers to appoint trustees who will acquiesce to the company line even if this goes against members' interests.

The responsibilities of the trustees are to administer the terms of the trust deed. The deed itself may restrict some aspects of the pension fund's policy, such as imposing investment limitations, or it may allow a lot of latitude. It is up to the employer and the trade union negotiators to ensure that members' interests are paramount in the translation of the trust deed into the working of the scheme.

Confined

Most trust deeds for example do not specifically impose a duty on trustees to check that contributions have been paid to the pension fund manager. The deed is usually confined to specifying the rate of contribution. But trustees, in fulfilling their responsibilities, have to ensure that the scheme's assets are sufficient to cover the benefits, and this cannot be done unless they are sure that the pension fund manager is receiving the contributions to invest.

A point to emphasise here is that the trustee often has to interpret the trust deed quite widely in order to ensure that members' interests are fully protected at all times. This should include being informed that the members' contributions have been collected by the employer and passed on to the fund manager. Trust deeds are complicated legal documents and to be able to fulfil their responsibilities, trustees need access to expert guidance.

There are several sources available to a trustee, the first being a pension consultant. Although a consultant acts primarily on behalf of the employer, it is in his interests to

explain the implications of any course of action. This would still leave the responsibility for taking the decisions entirely in the hands of the trustees themselves.

The events at Automatic Oil Tools also reinforce arguments put forward by Mr. Stanley Orme, the Minister of State for Social Security, that member representatives should be nominated by recognised independent trade unions. This is because unions would presumably put members' interests first and would be well placed to bring home to employers any shortcomings in the scheme. An insistence that representatives should be members of the pension scheme, and therefore be employees of the company, can on the other hand mean that the trustee could be subject to subtle pressure from the employer.

The idea of an independent firm handling the administration side of pension schemes may well appeal to trade union trustees. They would have a say in the appointment and the firm would be directly responsible to them. The expertise would be there for the union representatives to call upon, knowing that it was not the company's man speaking. But whether trade unions are prepared to go outside the union movement for such expertise is another matter.

Lesson

The final lesson from Automatic Oil Tools is that the whole position of payment of contributions needs to be tightened up. In theory members' contributions should be paid over as soon as they are deducted from salary or wages. In practice, deductions are held by the employer and paid to the manager periodically. The receiver in Automatic Oil Tools remarked that in many cases of financial trouble, the employer had held back pension contributions in an attempt to boost the cash position. Fortunately, the part of the Employment Protection Act which came into operation in April provides for any shortfall in employees' contributions to be paid from the State Redundancy Fund. But perhaps that will only encourage employers to look on contributions as providing short-term bridging finance. The position needs to be cleared up and trustees ought to ensure that payments are made in a regular and orderly fashion.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Possession of a cottage

Since I acquired a cottage six months ago, the tenant, an elderly widow, who lives with relatives, has not slept in it, though she visits it two or three times a week. Is there any way I can claim possession?

side at the property. However it is difficult to prove the required element of non-residence, as a person may be permanently resident even though absent for one or more periods of time. If the tenant has lived in the property for a long time it is unlikely that the court will view her absence as permanent.

Tax liability on Krugerrands

I am now showing a profit on my Krugerrands. If I sell them, Rent Act does not apply at all, does a capital gains tax liability arise?

The answer is probably yes; but there is a possibility of a charge to income tax, if the circumstances are such as to lead your tax inspector to regard your purchases and sales as constituting an adventure in the nature of trade. Each case must be judged on its own particular facts. (You may have seen the reply on August 4 to a similar inquiry about sales of current silver coins.)

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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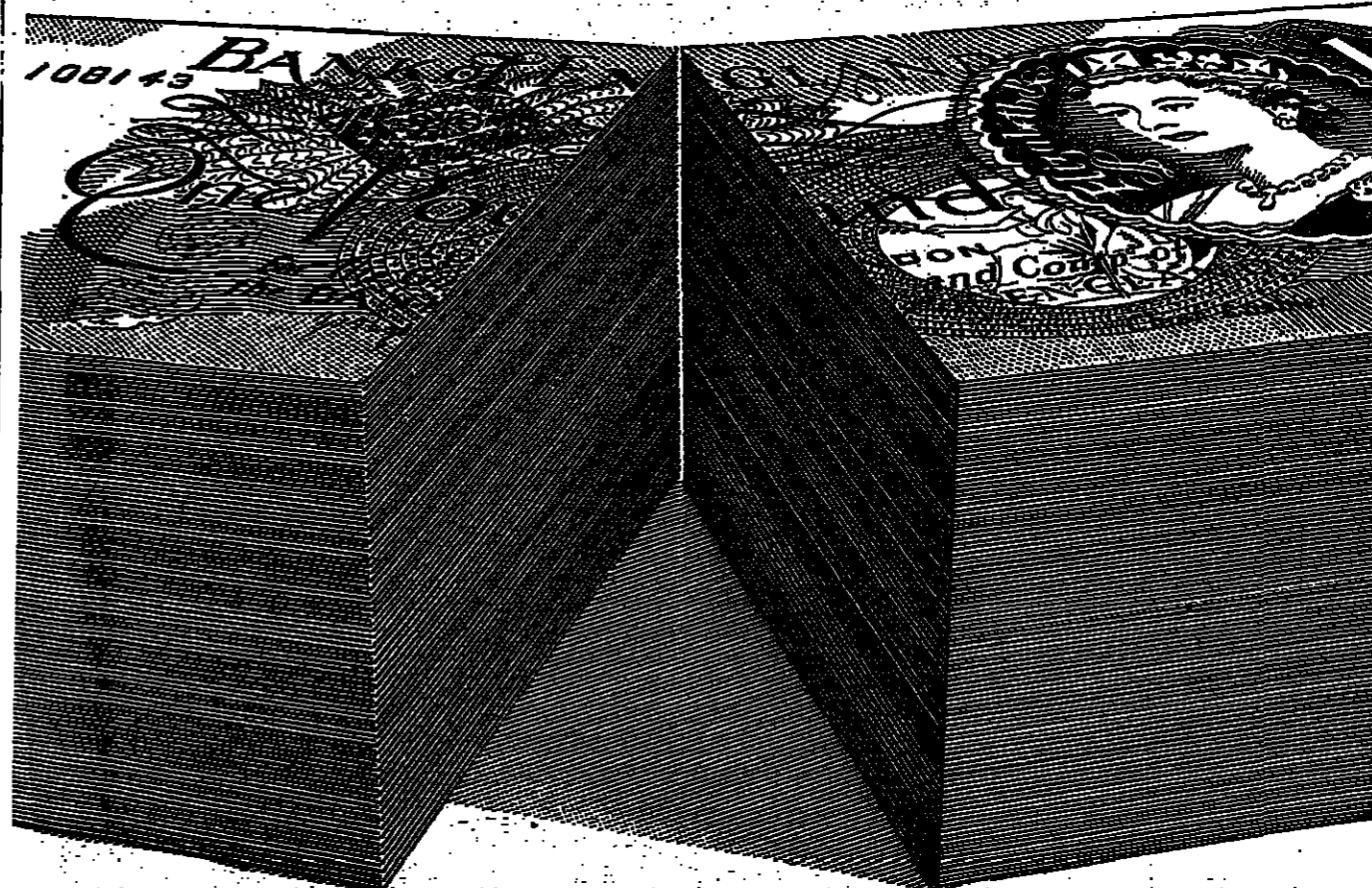
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OCTOBER 15, 1976



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WEDNESDAY, DECEMBER 1, 1976

Experiment in accounting

THE NEED for company accounts that reflect the impact of inflation on profitability has been obvious for some years past and has become urgent since the rate of inflation moved into double figures. Historic cost accounting produces figures of profit which are misleading to managers and investors alike and which are therefore almost certain to result in mistaken pricing and capital investment policies. The Inflation Accounting Steering Group has worked with commendable speed in producing its new exposure draft E.D.18, which is intended to provide practical guidelines for discussion.

Yet there is bound to be a good deal of disagreement among both academic and practising accountants about the conceptual background of the new system. In the first place, the very attempt to produce a definition of profit in inflationary conditions throws up the fact that the idea of profit is ambiguous. Profit can be struck only after allowing for revaluations to maintain the substance of the business, and there is no clear consensus of opinion—as the Steering Group concedes—about what this entails. In the second place, it would be difficult, even if such a consensus existed, actually to measure this substance. There are various possible ways, for example, of gauging the real value to a business of a particular item of equipment, but most of them contain an important element of subjective judgment.

Criticisms

Because of the lack of a consensus of opinion about the precise nature of profit, this exposure draft is to remain open for criticism for six months and is to be brought into practice only gradually, starting with the largest companies. What is more important, the suggestions which it makes about the treatment of monetary liabilities, for example, and goodwill—the former of which is of particular concern to the banks—are intended to be only tentative and experimental.

Because of the difficulty of measuring stocks and capital equipment at current values, it

puts forward a number of methods which involve the use of expert outside valuers or informed managerial opinion to various extents (the industry-based price indices recently issued by the Central Statistical Office are, by the way, put last in order of preference). If this change involves a greater degree of subjectivity in company accounts, the Group argues, this is part of the price that must be paid for making accounts relevant in a period of inflation.

There is considerable room for subjectivity, of course, even in historical cost accounting. Only experience can show whether the greater room allowed under the new arrangements—taken together with an increased complexity, which may baffle most unprofessional shareholders—will lead to more dishonesty.

Profitability

The point should perhaps be stressed that the Steering Group wants not only meaningful accounts to be made available twice a year to shareholders but constantly on an up-to-date basis to Managers, so that they can make rational decisions. What is "subjective" from one point of view may be more rational than any supposedly "objective" calculation from another: managers may now be encouraged to think more about the real value to the business of existing assets and new assets in which it is proposed to invest.

That in itself probably justifies the decision to go ahead on an experimental basis: differences of opinion can probably be solved better by experience than further argument. There is no great hurry to adapt the tax system to the new accounting structure, since accelerated depreciation and stock appreciation relief (which is to be tidied up) already deal with the main inequities caused by inflation. There is no great hurry to fix on a final accounting structure either, since the question of EEC harmonisation has to be taken into consideration. Changes will undoubtedly have to be made later and existing gaps filled in. Meanwhile, a period of experiment will be amply justified if it sharpens managerial attitudes towards the real profitability of assets.

Current Cost Accounting — 4

Accounting under inflation

By DOUGLAS MORPETH

THE EXPOSURE draft on the charge against revenue for depreciation and the cost of stock consumed in the year. The charge for depreciation included in the operating profit statement is based on the current value to the business of fixed assets and a realistic assessment of the life of the asset. The charge for stock consumed during the year is also based on the value to the business, at the date of consumption.

These two basic adjustments require the current value to the business of fixed assets and stocks and work in progress to be determined, and these current values are incorporated into the year-end balance sheet. This therefore gives a much more realistic assessment of the value to the business of the assets employed and so a better guide to the return on assets employed. The changes in the values between the two balance sheet dates will give rise to what are called holding gains.

The change in the concept of profit from the historic cost system entailed by these adjustments can best be illustrated by the following simple example.

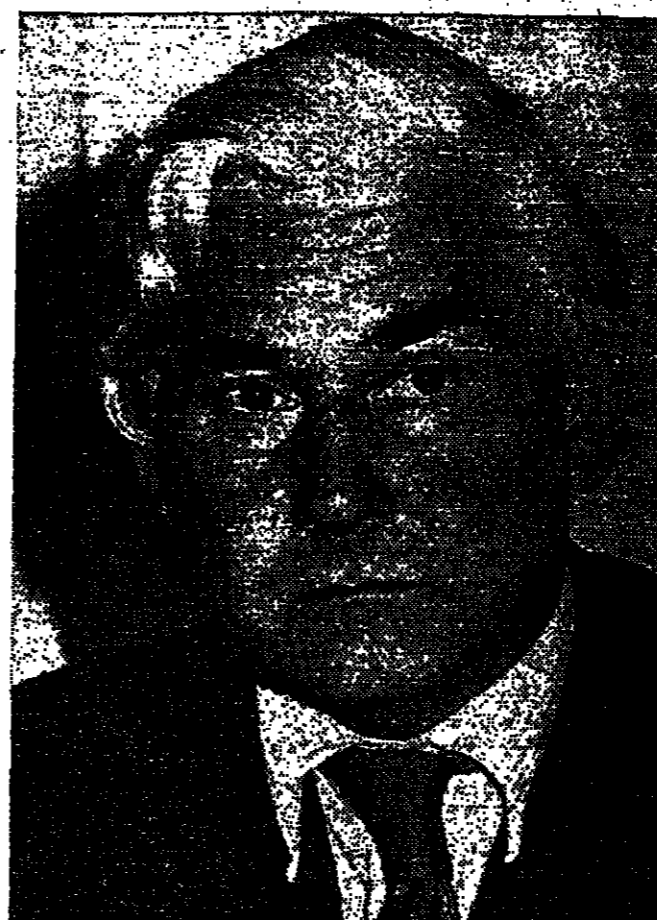
If I bought a house ten years ago for £10,000 and, on being required to move, sell it for £20,000, purchasing a similar house for £20,000, I would be required to show a profit of £10,000 under the historic cost system, but nil under the current cost system. If I had to pay tax under the historic cost system, on the profit of £10,000, or looked on the profit as available for living expenses, I could only survive by buying a smaller house or by finding more money from somewhere. It is clearly more in line with today's reality to say that I had made no profit on the transaction.

The exposure draft has been developed on the basis that current cost accounting should be incorporated into the management accounting systems of business to which it will apply, so that management will have much more realistic and relevant information on which to base their decisions about the effect of changing prices on costs, profits and the value of assets. The need for such realistic information has in recent years become much more important as the high rates of inflation make it imperative for the survival of businesses that the right decisions are made. It follows from this that a standard which merely required adjustment to the year end accounts on an historic cost basis, to produce the CCA accounts, would not be adequate in today's environment.

The Steering Group was well aware that urgent action was needed. There had already been several years' debate about how to reflect the impact of inflation in company accounts, and it was felt that some system should be implemented as soon as practicable. Because of this the exposure draft does not deal with all aspects of the problem of inflation accounting.

A large part of the draft deals with ensuring that the two main adjustments for profit proposed by the Sandilands Committee are dealt with.

These two adjustments relate



Mr. D. S. Morpeth

tained to enable the business to continue at the same level of activity. There are cases, however, as explained later, where some part of such holding gains for the year could be safely looked on as available for distribution or expansion of the business.

The Steering Group felt that the steps described above were quite enough to take at the first stage and so did not think it appropriate to deal with some of the valuation problems. Strictly speaking, liabilities should be valued at their value to the business, but there are a great many problems and complications inherent in doing so.

Likewise, goodwill and other intangible assets should be valued at their value to the business, and there are also considerable problems here. All these, therefore, have been left for further consideration at the next stage.

The Group did, however, consider that CCA presented special problems in relation to deferred tax, and therefore gave considerable thought to these. As a result, it is proposed that in the context of current cost accounting, provision for deferred tax should not be made, except in the case of short term timing differences, if the company can show that an actual liability will not accrue in the foreseeable future. In all cases, however, the full amount of the deferred tax liability, calculated under the provisions of the existing accounting standard,

felt that to propose an adjustment to profit would produce undue complications at this stage. Accordingly, no adjustment is proposed in respect of the effect of inflation on monetary assets and liabilities arriving at operating profit. Instead a simple prominent note to the accounts will be required, which will compare the actual shareholders' equity at the year end with what the opening equity would have been in order to keep pace with general inflation, measured by a general index. The gain or loss will not be analysed, which would have required detailed current purchasing power calculations, but an analysis of the gain or loss on net monetary assets will need to be given.

It would clearly be going beyond the concept of distributable profits envisaged in the Companies Acts to require such a note to be released or set aside arriving at operating profit. This would be inappropriate while the debate about monetary assets unresolved. Accordingly, appropriation account has been reintroduced, which brings together operating profits, holding gains and the amount directors feel should, in the judgment, be set aside before arriving at what they consider to be available for distribution. Directors will have to explain in notes to the accounts why they arrived at their judgment.

Because of the complete new nature of the system a new work required in understanding and introducing into the management accounting system, there is proposed phased introduction over the years by size of company. The first phase companies are required to introduce CCA accounts for accounting periods beginning 1st July 1978. A date is given for small companies or businesses which have a turnover or assets of less than £100,000. It is hoped to develop a simplified method for the implementation date for the first phase was decided because the original three month exposure period was too short for the very large number of companies with a year end at December 31, after which it was felt they might be preoccupied with preparing their historic cost accounts to be able to think about the CCA exposure draft proposals. Having extended the exposure period by three months it was considered necessary to take further three months to allow companies to prepare to apply the standard after it was published.

There is no doubt that the system of CCA is more subjective than historic cost accounting, and the auditor will have to accept perhaps greater responsibilities than before. Close liaison has been kept with the Audit Practices Committee and it is believed that the accounting profession is well able to tackle the responsibilities so that British industry can have a system accounting which will give much better management control and be more realistic and relevant to the shareholder.

Appendix II to the exposure

SSAP11, must be shown by way of note. This is a considerable change from the existing historic cost standard, but will require companies to satisfy themselves and their auditors that the investment programme will be sufficient to prevent a liability from accruing or that an actual sale of assets will not give rise to a liability to tax.

The Sandilands Committee argued at length in its report that no adjustment should be made in arriving at profit for the effect of general inflation on monetary assets and liabilities. The accounting profession, in its response, while accepting the Sandilands Report, did so subject to a recommendation that a supplementary statement should be included in CCA accounts to show the effect of inflation on shareholders' equity.

There has been considerable controversy and debate on the whole question of the treatment of monetary assets and liabilities. Opinions are sharply divided, and no less so in the Steering Group than between academics, industry, the City and Government. The Steering Group spent considerable time debating this problem, and the different schools of thought and the relative merits and demerits of each. It was felt that the time was not ripe to make a decision for the exposure draft, but that there should be more time for debate. In addition, the Steering Group

Departure from historic system

It is clearly quite a departure from the historic cost system to have to value assets each year at their value to the business and to charge the replacement cost of assets, stocks and work in progress consumed in arriving at the profit of the year. The exposure draft therefore inevitably sets out rules explaining how this should be done and in doing so tries to deal with many of the special problems which arise. This is what makes the exposure draft much longer than the usual.

One of the elements of current cost accounting is that the increase in values of assets between one year and the next gives rise to what are called holding gains. Holding gains are not looked upon as profit under current cost accounting because in the normal course of events they will have to be re-

Flouting the law on closed shops

THE Trade Union and Labour Relations (Amendment) Act, which became law in March of this year, was mainly designed to remove those legal impediments to closed shop agreements which had survived from the Conservative Government's 1971 Industrial Relations Act. The Tories tried to re-insert into the Bill a "conscience" clause, whereby a worker would be able to claim compensation for unfair dismissal if his refusal to join a closed shop union was based on "sincerely held personal conviction". The Government argued that this would undermine the legal basis of the closed shop. The only exemption provided for in the Act is limited to religious grounds.

Dismissals

The consequence of the Act has been a spate of closed shop demands which have generally been conceded; most employers believe that closed shop agreements, by eliminating friction between unionised and non-unionised employees, are generally good for industrial relations. It has also involved, however, a not insignificant number of people being dismissed from their jobs without compensation, because they refused, for reasons other than religious scruple, to join the relevant union.

In our view, the Government's refusal to accept a conscience clause was entirely wrong. But an even more fundamental question is raised by an issue which has arisen at Vauxhall Motors. A car worker, Mr. John Cotter, refused to join a union on religious grounds and he was threatened with dismissal. He appealed to an industrial tribunal, which found that his religious convictions were entirely genuine and that his dismissal was therefore unfair. Vauxhall agreed to reinstate Mr. Cotter. When he arrived for work yesterday the members of

the union which he had refused to join—the Amalgamated Union of Engineering Workers—downed tools and walked out.

Whether the Vauxhall management or the officials of the AUEW can persuade the men to allow Mr. Cotter to work alongside them remains to be seen. But the incident suggests that even the extremely modest provision which the law now provides in exceptional cases counts for nothing against the organised opposition of a group of trade union members. There is no way in which a decision by an industrial tribunal can be enforced. Theoretically the management could dismiss the employees concerned for walking out in defiance of agreed procedures, but from an industrial relations point of view, this would simply inflame the situation and perhaps encourage more widespread industrial action.

The trade unions believe that the negotiation of closed-shop agreements is a legitimate and effective means of advancing their members' interests; they have obtained from the present Labour Government a legal framework in which such negotiations are made easier. The least one can expect in return for these privileges, is respect for the law and a degree of moderation in pursuing their industrial objectives.

White-collar group

The whole issue of closed-shop agreements is likely to assume greater importance as unions attempt to extend their membership among white-collar and managerial groups. Even if a majority of employees vote in favour of a closed shop, there will be some individuals who will refuse on grounds of conscience to join the union. If this leads to an increasing number of dismissals without compensation, the pressure for a change in the law will grow.

MEN AND MATTERS

Reviving the Linen Bank

At first sight, a Scottish bank choosing the same time as the publication of the Devolution Bill to revive what sounds like a firmly British-based institution seems an example of politicians and financiers being at odds yet again. In fact British Linen Bank, dormant since 1971, was always thoroughly Scottish.

The "British" part of the name is understandable in view of the company's origins: they go back to 1746, the year after the Bonnie Prince's rebellion when the English were taking a stern, not to say savage, line with any signs of Scottish nationalism. The Linen Bank started out as the British Linen Company, engaged in the sale and manufacture of linen. Gradually, the business changed to that of financing and discounting other linen merchants' bills and became Bank proper in 1906.

It developed a clearing bank network, being taken over by the Bank of Scotland, oldest of the country's three clearers (founded 1695), five years ago. Three years earlier, Bank of Scotland had started up Bank of Scotland Finance, first as a pure deposit-taking concern which has since grown into a fully-fledged merchant bank with assets around £150m. That makes it probably Scotland's largest merchant bank at a time when the huge growth in the oil industry has led in the last couple of years to a large expansion of the Edinburgh banking scene.

Perhaps Bank of Scotland Finance reckoned some of its overseas customers were confused about the company's real identity; the group talked yesterday about British Linen's "long and proud history" making it "a most suitable vehicle" for keeping up in the merchant banking services race. So the Finance Company will become British Linen Bank.

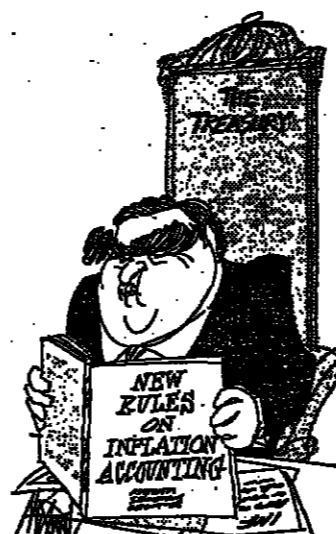
Regarding relations with the bank parent, Finance company secretary Joan Smith declared: "We are jealous to preserve our separate identity and treat them as shareholders."

The flood of competition numbers not only home-grown people like Noble Grosvenor but also a full range of English and U.S. operators. These include County Bank, the name from the 1862-founded Manchester and County Bank revived by the National Westminster group when it moved into merchant banking; and the American Chemical Bank, which started out in New York as Chemical Manufacturing Co before concentrating, like British Linen, on the banking business.

The need to obtain Parliamentary approval means that it will be a year or so before Bank of Scotland Finance is reborn. British Linen-Bank is remembered for eccentricities like producing its own £5 banknotes with printing on one side only ("The most forged note in the world," a crusty senior Scottish police officer once observed). The new Linen Bank will presumably be strong on modernity; the group has yet to decide whether to put Bank of Scotland Finance into a bottom drawer for possible future use. Prudent banking called for?

Accounting for good luck

The grand unveiling of new accountancy recommendations threw up a couple of oddities yesterday. The steering group went through 12 intermediate versions of its final exposure draft number 18 before the crucial decision came up: could they dare send draft 18 to the printers? Life's risky enough, all decided. They numbered the last draft of the exposure



"Now they tell me!"

to grips quickly with this item from the exposure draft itself. "If no reasonable estimate, supported by actual experience, can be made of the adjustments to the gross cost of the modern asset required to arrive at the cost of a modern equivalent asset, the gross current cost of the existing asset should be considered to be the cost of a substantially identical asset in new condition, or an estimate of what this would be if one were available." That's not guesswork being talked about in the last few words, is it?

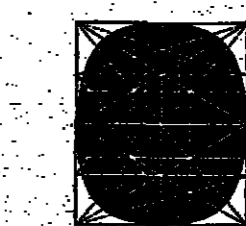
EEC's Vredeling

If British politics is losing one of its more interesting figures to the EEC Commission in the person of Roy Jenkins, then the appointment as a new Commissioner of Henk Vredeling means that Dutch politics loses one of its most colourful characters. As Socialist Defence Minister, he has had a reputation for making outspoken statements on European defence policy that's thought advisers subsequently have to go to great lengths to tone down.

Careful

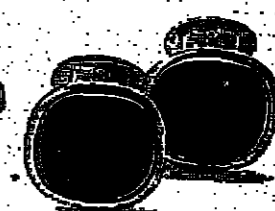
Investment is all about figures, but watch the simple arithmetic. A circular for something called the Private Investor's Letter stresses the advice it can offer in these tricky days, adding "You can afford P.I.L. in your first year at one-third the full annual price—£23.65. Instead of £35.50..."

Observer



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By A. H. HERMANN, Legal Correspondent

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COMPANY NEWS + COMMENT

Sterling depreciation boosts Rothmans

UP £5.95m. to £28.15m. midway pre-tax profits of tobacco manufacturers, Rothmans International benefited from the continued depreciation of sterling.

The depreciation increased not only the sterling value of the related foreign currency earnings from exports but also the sterling value of the profits of overseas subsidiaries and associates. After taking into account bond interest, the conversion of these overseas profits at current rates compared with those applicable in September 1975 has contributed £2.3m. to the increase in profit.

Overall sales performance was in line with the comparable period in 1975, with improving trends in sales of the group's international brands of cigarettes offset by lower sales in certain areas mainly due to general economic conditions in those markets. In the U.K. there have been satisfactory volume increases, while the strong growth in export sales has been maintained.

The interim dividend per 12½p share is raised from 0.6p to 0.65p net at a cost of £1.03m. (£0.94m.). The directors forecast a 1.828p net per share for the full year. Last year's total was 1.675p from profits of £40.4m.

Six months Year
1976 1975 1974
Turnover £11.7m £10.9m £10.5m
Trading profit 2.1m 1.8m 1.6m
Interest 0.1m 0.1m 0.1m
Profit before tax 2.2m 1.9m 1.7m
Overseas tax 0.1m 0.1m 0.1m
Net profit 2.1m 1.8m 1.6m
Dividend 0.65p 0.6p 0.55p
Reserves 1.4m 1.3m 1.2m

• comment

After six months Rothmans' profits are running several millions ahead of most market estimates, but the shares eased 1p to 29p yesterday. The growth of demand in some markets, notably exports, is clearly impressive and overall this year profits are going to emerge sharply higher. But currency factors are having a considerable influence at the moment and one or two doubts are now beginning to creep in about outside sales projections for 1977. Thus the price war in cigarette markets in the U.K. is squeezing margins and the prospect of a duty increase at home must be now loomed very large. In January tobacco duty in Germany rises sharply and Rothmans is already losing market share in Europe. The prospective p.e. might be little more than 4, and a prospective yield of 8½ per cent. is clearly going to be well covered. But at this stage the 12½ per cent. historic yield at 1mp is a counter attraction.

Westpool Trust

Income, including imputation credit (after interest and management expenses) of Westpool Investment Trust amounted to £142,787, against £140,700, for the half year to October 31, 1976.

HIGHLIGHTS

Lex takes a look at the Morpeth report on Current Cost Accounting as well as the Stock Exchange inquiry into share-dealing in Suits along with other related matters. Elsewhere, profits are well ahead at ICL and, for the first time for five years, the company has paid more than a nominal dividend. It appears that the dividend for the year at Swan Hunter is safe but the current work load suggests a difficult road ahead. Rothmans has seen a sharp increase in profits at the half-way stage thanks to the help of currency movements, while at Airfix the first half has apparently suffered from the hot summer but some upturn in activity is now being seen. Once again the engineering division at Roper has saved the day and, with growth in insurance broking, overall profits are 50 per cent. higher.

The figure for the year to April 30, 1976 was £300,021.

Tax for the six months takes £47,100 (£48,800) leaving available for ordinary holders £25,927 (£24,200). The interim dividend, already declared, is 1p (0.875p) net per 25p share costing £76,238 (£66,889). Last year's total was £25.7p.

Total net assets (taking investments at market value, including the full investment currency premium where applicable, but before deducting debenture and loan stocks and the currency loan) at October 31 1976 were £11,026,988 (£12,109,999 at April 30, 1976). Net asset value per share was 102½p (125p). Including an amount in respect of the full investment currency premium, of 17½p (22p). Net asset value per share assuming full conversion of convertible loan stock was 106p (129p).

Wm. Jacks turns in £233,527

FOR THE year ended June 30, 1976 William Jacks and Co., overseas traders and manufacturers, motor car distributors and retailers, reports a group pre-tax profit of £233,527 including associates' profits of £23,380. For 1974-75 a profit of £161,867 was turned in, including £254,548 for associates.

The directors point out that as a result of a change in presentation in respect of investment and associates the figures for 1974-75 are not comparable with those for 1975-76.

Turnover amounted to £7,30m. against £5,65m. After tax of £235,248 (£247,327), there is a loss of £21,721 (£214,340) before deducting an extraordinary debit of £187,966 (£186,386) profit. The loss per 25p share is 0.4p (3.86p earnings).

The preference is no dividend—The Preference is in arrears from May 31, 1974.

Referring to the sale of 50 per cent. of Skinner Manufacturing the chairman says that while this will assist the re-establishment of a proper working capital basis, additional sales of long term investments are necessary to provide the working capital he considers necessary.

Downturn at Wheway Watson

A REDUCTION from £431,440 to £200,724 in group pre-tax profit is reported by Wheway Watson Holdings, chainmakers, engineers and forgers, for the 26 weeks ended October 30, 1976, but figures for the second half are expected to show an improvement.

The reduced profit was fore-shadowed at the annual meeting. Mr. W. Gibson-Bignart, chairman, indicated that there would be a significant reduction in demand for the products from the Walsell subsidiary, Wheway Watson (CI) and by the end of September production had been reduced to the lower levels resulting in some refunding, he says. It is anticipated that there should now be a period of stability at these works.

Pelco Holists and Wheway Watson (NI) had a good six months trading period given a continuation of the present improved trend of industrial orders the chairman feels that group profitability for the second half months should show some improvement on the first half performance.

The interim dividend is unchanged at 0.275p on increased capital and consideration of the final will be deferred until the full year results are available—last year's total was 0.713p paid from profits of £82,875.

Turnover 1976-77 1975-76 1974-75
£12,796 £8,919 £12,796
Trading profit 2,730 2,230 2,230
Interest payable 101 101 101
Profit before tax 2,831 2,331 2,331
Taxation 194 194 194
Net profit 2,637 2,137 2,137
Dividend 0.275 0.275 0.275
Reserves 12,519 12,519 12,519

A final issue of 285,625 Ordinary shares at 15p per share have been allocated to Columbus McKinnon for the supply of plant. Columbus now holds 8.81m. shares.

Chown Secs. delayed

Administrative problems at Chown Securities have delayed the accounts for the year ended June 30, 1976, and they cannot be despatched in time for holders to receive them 21 days before

the annual meeting scheduled for December 22. The meeting has, therefore, been adjourned to a date in January. The documents will be despatched not later than December 24.

Daily Mail & General increase

INCOME OF Daily Mail and General Trust for the half year to June 30, 1976, was up from £54,000 to £775,000, excluding income from Associated Newspapers Group. Net revenue emerged at £430,000 against £382,000.

The interim dividend is stepped up from 3.575p net per 50p share to 3.932p. Last year's total was 10.444p from net revenue of £1,44m.

Elliott Grp. 9-month progress

RELOCATABLE buildings, furniture and joinery manufacturers, Elliott Group of Peterborough has produced pre-tax profits of £282,297 for the nine months ended September 30, 1976.

Sales, at £1,177m, were more than double those for the six months ended September 30, 1975, and even exceeded the £1,010m. for the whole year 1975-76, when pre-tax profit was £241,681.

The interim dividend is 1.03p net per share compared with 0.73p for the previous normal half-year. The directors say they intend to make the total payment for the 13-month period ending March 31, 1977, the maximum permissible. Last year's total was 1.97p.

The profit level has been achieved despite the drastic reduction in the U.K. education requirements together with the cost of reorganising the group since the acquisition of Medway. The downturn in U.K. business has been partly replaced by the present schools contract in Saudi Arabia, the directors explain.

The contract is progressing favourably and its profit will be included in the accounts for the 13 months to March 31, 1977.

Regardless of the U.K. trading downturn the additional large overseas contracts, which the company expects to announce shortly, will enable the Elliott Group to look forward with confidence, they state.

9 months 6 months 3 months
1976 1975 1974
Sales £1,177m £1,010m £1,010m
Trading profit 282,297 241,681 241,681
Interest payable 101 101 101
Profit before tax 282,398 241,782 241,782
Taxation 194 194 194
Net profit 282,204 241,588 241,588
Dividend 1.03 0.73 0.73
Reserves 12,519 12,519 12,519

• comment

Cutbacks in local authority expenditure have meant lower demand for relocatable buildings in schools. Faced with this problem, the Elliott Group purchased a company in March called Medway which makes permanent prefabricated buildings. There appears to be considerable demand for these in Middle-Eastern schools and some of the group's capacity of Elliott has been adapted to make the Medway buildings. So the purchase of Medway seems to have been very important to Elliott and yet it cost only £181,000 with previous losses. Now the management at Medway has been changed and the group has more reason to feel confident now that Arab and customers as well as local authorities. Work is now largely completed on the £11m. Saudi Arabian contract and most of the profit will probably appear in the accounts for the second half. Nevertheless, the prospective yield of 15.2 per cent. on the shares at 23p shows that the market is not wholly convinced.

Bank and Commercial

The accounts of Bank and Commercial Holdings, which on Monday announced a loss of £2,885,847, have been heavily qualified as not showing a true and fair view of the holding company's affairs. The accounts show that the principal cause of the property company's £2.7m. extraordinary loss is a provision of £1.7m. against the value of B and C's holdings in Calgary and Edmonton and a company in liquidation. The balance sheet value of the investment has been reduced to £24,249.

The chairman states that B and C has negotiated with its bankers a substantial write-off of the advances made to the company. A reorganisation has reduced overheads and increased efficiency. These should go a long way to ensuring a sound future for the company although difficulties still have to be overcome.

The 1972 valuation of properties has been adopted in the accounts although in the Board's opinion the amounts expressed in these valuations are substantially overstated. Shareholders will shortly receive a circular reporting on property sales since the year-end in March and detailing the changes made by these sales and the negotiations with bankers.

A statement of net assets, based on the year-end and adjusted to reflect sales and agreements to November 24, shows a total of £1,513,000 (£1,242,923 at the year-end).

The accounts also show a payment of £3,500 compensation for loss of office.

THE NEW THROGMORTON TRUST LTD.
Capital Loan Stock Valuation — 30th November, 1976
The Net Asset Value per £1 of Capital Loan Stock is Nil
Securities valued at middle market prices.

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DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Airfix Industries	1.17	Feb. 3	0.88	2.29	2.29
Bulmer and Lamb	1.17	Feb. 22	3.38	10.4	10.4
Daily Mail and Gen. Int.	1.93	Jan. 24	0.75	1.97	1.97
Elliott Group	1.03(c)	Feb. 8	—	0.85(b)	0.85
Ind. Computers	4.53	Feb. 8	—	—	—
Mansfield Brewery	1.56	Dec. 15	1.21	2.77	2.77
Roper Holdings	0.85	Dec. 20	0.8	1.73	1.73
Rothmans Int.	0.85	Jan. 27	0.6	1.45	1.45
Rothschild Trust	0.73	Dec. 27	—	—	—
"Suits"	2.02	Mar. 25	2.01	4.02	4.02
Swan Hunter	3.0	Dec. 31	3.0	5.91	5.91
Tecalemit	1.29	Jan. 7	0.98	2.23(a)	2.23
R. Kelvin Watson	1.9	Feb. 2	0.9	2.18	2.18
Wheway Watson	0.23	—	—	0.73(a)	0.73

Dividends shown pence per share-net except where otherwise stated. (a) Equivalent after allowing for scrip issue. (b) On capital increased by rights and/or acquisition issues. (c) Final on increased capital. (d) Special interim paid to maintain Trustee status. (e) For nine months. (f) Total 1.828p forecast.

Further discussions in Sime Darby struggle

BY MARGARET REID

NEW DISCUSSIONS are under way in Singapore with a view to a possible solution of the clash surrounding the Sime Darby Holdings group. The conflict has arisen as a result of moves by the Malaysian State-owned Pemas concern, supported by 25 per cent. of the votes, to block re-election of four directors and get three of its nominees on to the Board.

The latest initiative towards a solution has come from the Malaysian side and probably reflects a desire to avoid continued frictions which could be hurtful to business confidence in Malaysia.

It is thought that the latest proposal, which is confidential, is talks by Rothputra Nominees, acting for Pemas and others, envisages that Rothputra would support two of the four existing directors (all British) whose re-election has hitherto been blocked pending a decision in the shareholders' poll fixed for December 10. The proposal is that the present Board would accept the three new directors, all leading Asian business personalities put forward by Rothputra.

However, it is believed also to be part of the package solution proposed, that Rothputra would nominate a new chairman, who would probably be one of the existing Asian directors.

These terms for a solution are not, as they stand, acceptable to the Sime Darby Board, headed by Jim Bywater, presumably partly because they would involve too great a change in the present balance of the Board towards South East Asian representation.

Before the recent clash emerged, it is thought that a plan envisaging an increase in the total number of directors to 14, to allow for the inclusion of the three Rothputra names and retention of the existing directors, was being considered but did not secure agreement.

The current discussions are a renewed sign of an apparent wish on both sides to end the differences. A part in attempting to reconcile the conflict is thought to have been taken by an existing director, Tun Tan Siew Sin, former finance minister of Malaysia.

ON A TURNOVER up from £10m. to £12.35m. pre-tax profit of £2,350,000 has been reported by the Sime Darby group for the period from April 1, 1976, to October 3, 1976. The figures for the year to March 31, 1976, were £21.01m. and £1,800,000 respectively.

The interim dividend is raised from 0.975p to 1.297p net per 25p share, and it is intended to recommend an increase of 10 per cent. in the year's total. Last year's final was 1.99p on capital increased by a two-for-five rights issue.

Mr. Nigel J. Bennett, the chairman, reports that the rate of inflow of orders was comfortably in excess of that for last year and, subject to the usual provisions for the second half, are expected to continue at least at the same record level.

All divisions and companies in the group made a contribution to the results, which were achieved through a combination of an increased volume of sales, at higher margins, strict control of overhead expenditure and lower input costs.

Group activities cover fluid transfer, filtration, garage equipment, lubrication systems and combustion engineering.

Turnover 1976 1975 1974
£12,350 £10,000 £10,000
Trading profit 2,350 2,350 2,350
Interest payable 101 101 101
Profit before tax 2,451 2,451 2,451
Taxation 194 194 194
Net profit 2,257 2,257 2,257
Dividend 1.297 0.975 0.975
Reserves 12,519 12,519 12,519

Turnover for the period to October 3, 1976, has been converted at the rate ruling at that date except for the profit which has been converted at the rate ruling on November 29, 1976, following the devaluation of the Australian dollar.

The home market accounted for 60 per cent. of group turnover, and exports and overseas sales for 40 per cent.

Tecalemit's 24-fold rise in interim profits takes it decisively out of the profits plateau of the past four years, which reflects benefits of the revamping done 18 months ago when the entire product range was re-examined and low-margin goods dropped. This, together with a general tightening of overheads, has produced the dramatic rise in margins to 8.4 per cent. The reorganisation was made at a time of rising demand for most of the group's automotive vehicle products and the interim figures indicate improvements in all divisions. For the full year, profits of £2,350,000, a minimum bet, so the shares at 45p have a prospective p/e of 4.1 and maximum yield of 11.3 per cent.

Net tangible assets per 25p share stood at 14.4p (13.3p). Since the year end they have increased to 15.3p.

ON TURNOVER increased from £4.87m. to £5.24m. pre-tax profit of George Salter and Co., for the six months to October 2, 1976, was £237,000 compared with £237,000 for the half-year ended September 27, 1975. The directors anticipate a substantial increase for the full year.

The interim dividend is 0.87p per £1 share, the same as last year after adjusting for the four-for-one scrip issue.

Mr. Philip Bache, the chairman, says that most objections of the company are still fully employed.

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'Suits' down 4% at six months

ON TURNOVER some £4m. higher, prices not being able to reflect at £27.26m. pre-tax profits of £2,350,000, the Sime Darby group has continued to trade satisfactorily and though further losses have been incurred by Lewis and Black in the July to September period, the group's overall performance is a quiet time—The indications are that overall the autumn business will be profitable and there are no prospects for recovery.

At Amalgamated Caledonian there has been no material change from the position reported in the 1975 accounts.

Turnover 1976 1975 1974
£27,260 £24,000 £24,000
Trading profit 2,350 2,350 2,350
Interest payable 101 101 101
Profit before tax 2,451 2,451 2,451
Taxation 194 194 194
Net profit 2,257 2,257 2,257
Dividend 1.297 0.975 0.975
Reserves 12,519 12,519 12,519

The directors say the 4 per cent. drop in profits before tax reflects a reduction in sales margins in certain divisions and a corresponding reduction in cash resources.

Payment of the tax liability of £2.6m. arising from capital gains in 1974 has been made with a corresponding reduction in cash resources.

In the printing, publishing and book-selling division, economic conditions have prevented any recovery in advertising revenue for the newspaper companies while public expenditure cuts have slowed down spending on library equipment.

While profits from the whisky side are in advance of last year, due in the main to an acceleration in the export shipping programmes of the current year, it is anticipated that overall results for the year will be much the same as for 1975-76.

Due to a change in the mix of business turnover of the engineering division has increased but smaller margins have persisted. Dry-cleaning and textiles had a satisfactory half-year but results from the soft drinks company, in retail, office sales of favourable sales, Birmingham, Bristol and others, are disappointing due to Glasgow.

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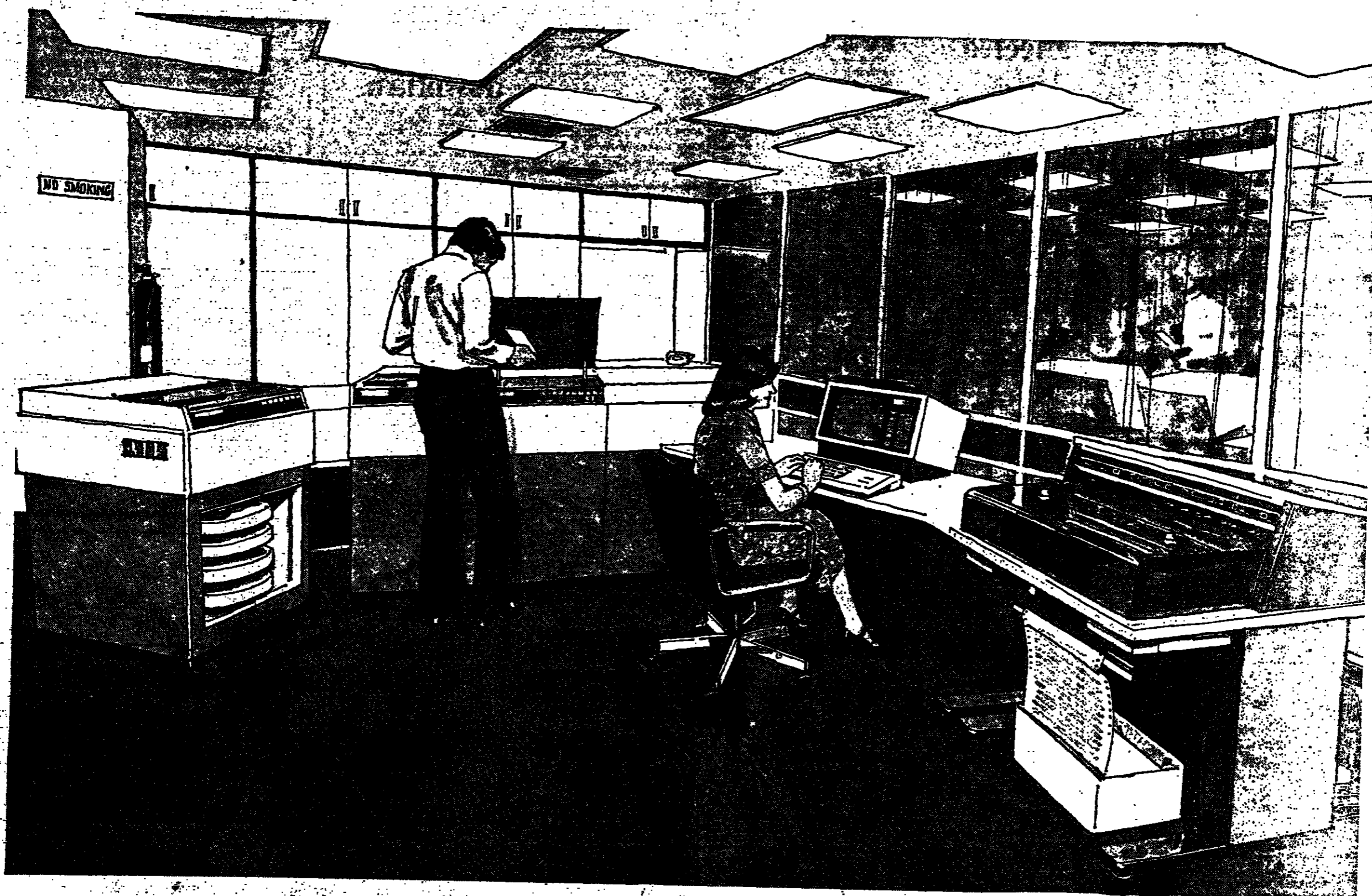
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Swan Hunter up by £1.41m. at halfway

FIRST-HALF 1976 turnover of Swan Hunter Group increased from £70.7m. to £74.98m. and profit advanced from £2.35m. to £3.76m., subject to a substantially increased tax charge of £1.96m. against £0.4m.

Notwithstanding current difficulties, the results reflect improved profitability and it is anticipated that the results for the second half will be no less satisfactory. The directors state, "Turnover for the year 1976 was £143.51m. and profit £3.11m.

Earnings per £1 share for the half year were 9.35p (against 10.50p or 1.09p after extraordinary items) and an unchanged interim dividend of 3p net is declared. Last year's total was 5.912p.

Tax has been provided at 52 per cent. In respect of 1976 the effective tax rate charged, excluding extraordinary items, was only 17 per cent. due to relief available for losses incurred in prior years which were not equalised, the directors explain.

Group turnover for the six months ended 30 September 1976 was £74.98m. (1975 £70.7m.). Profit before tax was £3.76m. (1975 £2.35m.). Taxation was £1.96m. (1975 £0.4m.).

After deducting tax £2.35m. (1975 £0.4m.), the net profit was £1.41m. (1975 £1.95m.).

The Government's decision not to nationalise shipbuilding until shipbuilding can be included in its plans has introduced still further delay and uncertainty, the directors state. Since nationalisation became a distinct probability the group has been precluded, because of restrictive clauses in the Bill, from taking certain commercial decisions, but under the prevailing conditions the Board is convinced that it must now exercise proper commercial judgment on all issues affecting the group and take any necessary action.

Since the AGM the group's association with Maritime Fruit Carriers through Swan Maritime has been dissolved. All contracts have been completed or terminated and the group has disposed of its 25 per cent. holding in Swan Maritime. The terms of the group's withdrawal are satisfactory and in particular they secure the major part of the investment in Swan Maritime and all sums due by Swan Maritime to Swan Hunter Shipbuilders, including amounts due in respect of contracts which have been cancelled.

Up 15 per cent. to 39p yesterday, the Swan Hunter share price could be in for one of its periodic bouts of activity. The level of optimism in the interim statement suggests that this year's dividend is safe; and the

1976 balance will apparently show that cash levels (which stood at around £9m. net of debt in December) are little changed. Just what shipbuilding slump will do to earnings in 1977 is still anybody's guess and, with turnover in 1976 unlikely to climb much above £150m., it is clear that SH has no extra demand on its hands. But last year's loss-maker (marine and general engineering) is out of the red and there is no indication that this year's profits upturn is due to a slackening of any of last year's provisions. The market capitalisation is £72m.; and the yield is 25 per cent.

Heatwave affected Airfix

THE PROLONGED heatwave affected the half year results of Airfix Industries by delaying the start of the building season for many of its products. Pre-tax profit was only slightly up, from £1,507,000 to £1,528,000 after minorities of £265,000 (£160,000) for the six months ended September 30, 1976.

The interim dividend is 1.1p net per 20p share against 0.85p, after adjustment for scrip issue. Last year's total dividend was 2.286p from profit of £3.11m.

Airfix's results apparently suffered from the hot summer but some of the lost ground is being made up although the final result depends on the all important Christmas period. Indications suggest that together with stronger exports (reaching perhaps just under £10m. for the year) there will be some kind of real profits increase in the second half. The 7.5 per cent. interim profit rise on an 18.8 per cent. rise in turnover indicates the impact of continued losses on the profit margin. At the same time Tri-ang has not yet broken into the black, although these deficits are not included in Airfix's balance sheet. In fact, the group's investment here is only £30,000. Higher minorities reflect stronger trading at the Plastic Group, and lower interest charges indicate lower seasonal borrowings plus deposits inflated by the rights issue, still awaiting a home. A yield of 11.6 per cent. at 39p, is unlikely to create much of a stir at least until Airfix's expected acquisition emerges.

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Ropner upsurge at six months

SHIPOWNERS, insurance brokers, engineers, etc., Ropner Holdings, reports a jump in pre-tax profits from £836,000 to £1,250,000 for the six months ended September 30, 1976.

The directors say that owing to seasonal factors, which affect sales of Hozelock garden equipment especially, slightly lower profits are expected in the second half, but full-year profits should continue the significant advance over previous years. In the year to March 1976, profits were a record £1,770,000.

The interim dividend is lifted from 0.8p to 0.9588p per 25p share and a final of the same amount is intended for a maximum permitted 1.9076p (£1.7343p) total.

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The group share of the loss

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Muirhead chairman very confident

CURRENT order books are encouraging and prospects for future turnover very substantial indeed, says Sir Raymond Brown, chairman of Muirhead's, who addresses in his report to shareholders.

He is confident that the continuing policy of investment in product development and new plant will result in further improvement in turnover and profits in the current year.

There is more reason than in the past to be optimistic that markets for Muirhead's facsimile and component products will expand rather than contract, he adds.

As already reported, group pre-tax profit for the year to September 30, 1976 was £1.528m. (£1.507m.). An analysis of the £21.5m. against £13.1m., shows direct exports accounted for £5.5m. and total overseas turnover, including estimated direct exports, amounted to £10.7m. or approximately 65 per cent. The directors are raising the dividend total to 2.279p (£3.013p) net.

In his review Sir Raymond says the group has been encouraged to provide better opportunities and to improve company identification in the areas of its two principal types of products.

In the U.K. the data communications division had an exceptionally good year, maintaining a leading position in the professional facsimile market. Newspaper page facsimile sales reached £2m. (£1.5m.). Until last year's sales were confined to overseas markets but systems have now been delivered to two U.K. national papers and to one local daily paper. A substantial range of facsimile machines has been well accepted and will have an important part to play in the future of the company.

The components division and electronic control equipment both achieved record turnover and profits with Vetric making a more substantial contribution to profits. Developments of new and improved precision rotating components in particular in the fields of stepper motors and encoders, are beginning to bear fruit. Order books are high and further substantial order prospects exist from both home and overseas.

Integrated Photomatrix is beginning to eradicate past losses and during the year made a small profit.

Turning to the group's overseas

ICL advances to £23m. and pays 5.2p net

TURNOVER FOR the year to September 30, 1976 of International Computers (Holdings) expanded from £22.77m. to £23.44m. and pre-tax profits advanced from £16.18m. to £23.07m. after £10.49m. against £10.07m. for the first half.

On dividend policy, the directors say that the Treasury will permit a return to the former gross annual dividend of 11.25p after £10.49m. against £10.07m. for the first half.

After reaching that level the company would be subject to the current 10 per cent. limitations. The directors consider it wise to continue a high rate of share repurchase, particularly in today's highly uncertain economic climate and they therefore recommend a final of 4.55p net making 5.2p compared with 0.65p equal to 8p (1p) gross.

Full year earnings are shown at 38.85p per £1 share compared with 24.22p before and 27.49p after, an exceptional item.

Turnover for the six months ended September 30, 1976 was £11.72m. (1975 £11.37m.). Profit before tax was £11.72m. (1975 £11.37m.). Taxation was £1.25m. (1975 £1.25m.).

The value of orders booked was again ahead of the previous year and the high level of orders on hand at the end of year gives them confidence that the planned output for 1977 will be well covered. Of orders 40 per cent. received during year were from overseas.

On the currency conversion, the Board states that foreign exchange effects of trading transactions are dealt with in the profit and loss account and adjustments arising from the conversion of assets and liabilities are taken directly to reserves.

The favourable effect on the 1975-76 profit was £2m. (£0.4m.). There was a net charge to reserves of £5.5m. largely due to foreign exchange effects on overseas borrowings (charge £0.4m.).

On the future, the directors say that the company has ended 1976, a year of solid progress, with the opportunity to do even better in 1977.

Titagur Jute £0.58m. deficit

Titagur Jute, Factory Co. incurred a pre-tax loss of £576,450 for the year to June 30, 1976, compared with a deficit of £702,145 for the previous 18 months. The U.K. operations achieved a profit of £110,677 against £158,061 but there were losses of £687,127 (£560,206) on the Indian side.

The loss per £1 share is given at 43.1p (£1.4p) and once again there are no preference dividends.

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U.K. turnover was £2,517,077, 1976-75, 1975-76, 1974-75, 1973-74, 1972-73, 1971-72, 1970-71, 1969-70, 1968-69, 1967-68, 1966-67, 1965-66, 1964-65, 1963-64, 1962-63, 1961-62, 1960-61, 1959-60, 1958-59, 1957-58, 1956-57, 1955-56, 1954-55, 1953-54, 1952-53, 1951-52, 1950-51, 1949-50, 1948-49, 1947-48, 1946-47, 1945-46, 1944-45, 1943-44, 1942-43, 1941-42, 1940-41, 1939-40, 1938-39, 1937-38, 1936-37, 1935-36, 1934-35, 1933-34, 1932-33, 1931-32, 1930-31, 1929-30, 1928-29, 1927-28, 1926-27, 1925-26, 1924-25, 1923-24, 1922-23, 1921-22, 1920-21, 1919-20, 1918-19, 1917-18, 1916-17, 1915-16, 1914-15, 1913-14, 1912-13, 1911-12, 1910-11, 1909-10, 1908-09, 1907-08, 1906-07, 1905-06, 1904-05, 1903-04, 1902-03, 1901-02, 1900-01, 1899-00, 1898-99, 1897-98, 1896-97, 1895-96, 1894-95, 1893-94, 1892-93, 1891-92, 1890-91, 1889-90, 1888-89, 1887-88, 1886-87, 1885-86, 1884-85, 1883-84, 1882-83, 1881-82, 1880-81, 1879-80, 1878-79, 1877-78, 1876-77, 1875-76, 1874-75, 1873-74, 1872-73, 1871-72, 1870-71, 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The Wool and
Synthetic Textile Group

Interim Statement

Unaudited results of the Group for the half year ended
3rd October 1976

	1976	1975	Year to 3rd October 1976
Group Turnover	10,214,790	6,571,982	14,384,758
Trading Profit	66,433	384,244	1,029,348
Interest payable	58,498	62,243	82,177
Depreciation	146,250	141,340	222,760
Profit before tax	460,883	200,661	634,412
Taxation	243,000	104,450	284,412
Profit after tax	217,883	96,211	329,412
Earnings per share	2.52p	1.10p	3.80p
Extraordinary profit after attributable tax	—	73,815	74,980
Preference dividends	1,750	1,750	3,500
Ordinary dividends	106,207	96,552	217,112

An interim dividend has been declared of 1.2375p per
50p share £106,207, payable on 24th January 1977 (previous
year 1.125p per share £96,552).

The improved trading conditions referred to in the Annual
Report have been maintained. It is expected that the total
dividend distribution for the year will be increased by the
maximum permitted under present legislation.

Bulmer & Lumb (Holdings) Limited,
Buttershaw, Bradford, BD6 2NE.

MINING NEWS

EZ Industries is cautious

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S zinc-producing EZ Industries may earn only steady profits in the current year to June 30 despite the country's devaluation. Our correspondent reports that at the Melbourne annual meeting of the chairman, Sir Edward Cohen, said that the devaluation should produce some benefit in the second half but it costs continued to increase, the results for the full year would be no better than in 1975-76.

He also intimated that zinc production which was recently lifted from 80 per cent to 90 per cent of capacity, could be cut back again if world demand did not improve. Indications of an improvement had faded, he added, and stocks were still high. "We are keeping a careful watch on movements and trends in all markets to ensure that we do not suffer another rapid build-up of stocks with the consequential drain on liquidity," said Sir Edward.

He revealed that reserves at the Elura silver-lead-zinc deposit in New South Wales had increased from 22m tonnes to more than 27m tonnes with grades being maintained. "The company hoped to be in a position to decide by the end of 1978 on construction of a mine and concentrator."

However, the Golden Grove copper deposit in Western Australia, with reserves of 13.2m tonnes averaging 3.35 per cent copper would not be feasible until there was a substantial increase in the copper price. Three years ago this venture would have been profitable despite high infrastructure costs.

The meeting was enlivened by a large turn-up of proxy holders from Church and conservation groups opposed to EZ's potential participation in the Ranger uranium project in the Northern Territory. Unions, students and women's groups were also represented. Despite their opposition they gained no information on a possible development of Ranger where the partners are still waiting on the Government-appointed Ranger environmental inquiry. EZ Industries fell 20p to 320p yesterday.

CRA TAKE-OVER OF AM & S
The Rio Tinto-Zinc group's Conzinc Rio Tinto of Australia has secured complete control of the lead-zinc-silver producer, Australian Mining and Smelting. A deal announced in October offered one CRA share for one AM & S share and covered the 25.5 per cent of the AM & S equity not already owned by CRA.

CRA announces that it has received acceptances for 94.4 per cent of the shares subject to the offer, which was worth some £22m at the market price, prevailing in October.

One effect of the deal is to decrease RTZ's holding in CRA. Before the merger this was 30.3 per cent. Now it is 22.6 per cent. RTZ were 144p yesterday and CRA were 220p.

COURT DECISION ON LONRHO PLAN
Dissenting minority shareholders of Witbank Consolidated have failed in the first stage of their legal battle to prevent the merger of Witbank with Tweepoint United Collieries under the umbrella of Duker Exploration. An application brought by Field-Zwart Consultants to prevent the application of resolutions passed at a general meeting earlier this month in favour of the merger was dismissed in Johannesburg court yesterday, reports our correspondent.

U.S. OPEN-CAST COAL RESERVES

More than 15 times as much energy is contained in the coal deposits of the American states of Wyoming, Montana and North Dakota than in the oil and gas reserves of Alaska's North Slope, according to the U.S. Geological Survey's Rand Corporation. Rand states that the proven coal resources of the three states are 78.7m tonnes, of which three-quarters is of low sulphur content. The deposits could be developed by open-cast mining.

To avoid conflict over the regulation of open-cast mining, Rand suggests that the state and federal authorities should share control "with no single interest considered to be predominant."

MORE BOTSWANA DIAMONDS

Opening the Botswana Parliament in Gaborone yesterday Sir Sereetse Khama mentioned the earlier announcement of the De Beers-Botswana Government joint venture to open a diamond mine. Production is to be raised from the present annual output of 2.35m carats to 4.5m carats by the end of 1978 at a cost in the region of £28m (£19.5m).

He also said that development of the nearby R22m (£15.5m) Letlhakane mine has been completed and that its diamond output is expected to reach about 200,000 carats next year on the way to an eventual annual production of about 320,000 carats. The small newcomer has a high gem diamond content of around 10 per cent, while Orapa has only about 15 per cent gems, the rest being of industrial grade diamonds.

BIDS AND DEALS

Hepworth Ceramic U.S. purchase

Hepworth Ceramic has agreed a \$12.2m (£7.2m) offer for W. S. Dieckle Clay Manufacturing Co. of U.S., which makes and distributes vitrified clay sewer pipes and other clay products in the southern and mid-western states. In its last financial year it made its lowest ever pre-tax profits of \$368,000 compared with a record \$4m in 1972. For the first nine months of 1976 it has recovered to \$653,000 pre-tax. Last reported net assets were \$2.5 a share against the \$14 cash Hepworth is offering.

The agreement is subject to the agreement of the shareholders of Dieckle Clay. The Bank of England has approved the purchase of the shares by a foreign currency borrowing which has already been arranged.

Milgo has an existing capital of 1,583,741 shares and the proposed purchase will give Racial Electronics a 13.5 per cent of the new total capital.

In 1969 Racial and Milgo formed a jointly owned company, Racial Milgo, based in England. Racial Milgo has a marketing and manufacturing franchise for Milgo electronic equipment covering Europe, Africa and the Middle East and is stated to be the largest supplier of high-speed data modems in these territories. Its turnover for the year ended March 31, 1976, was \$10m and pre-tax profit approached £2m.

Milgo Electronic of Florida, a leading specialist in data communications and computer terminal equipment. Its profit for 1975-76 was \$2.35m, down from \$4.25m.

MAY & HASSELL IN BELGIUM
Timber importer May and Hassell has acquired a majority shareholding in Angere Mason Henri Dewert and Fils, its first direct investment in the EEC.

Dewert is a family company which imports timber through Ostend. It has storage, sawmilling and Trussed Rafter manufacturing facilities in the port.

THI SALE
The sale of a freehold office building in Crown Street, W.1, has raised £3.1m for Trafalgar House Investments. The buyer was the Lazard Property Unit Trust. The principal letting in the 11,000 square feet of offices, 7,200 square feet of showrooms, plus a public house and shops, is to RAC, and is subject to review in 1980.

The 13 luxury flats in Clarges Street, which form part of the development have been retained by Trafalgar on a long lease at a peppercorn rent and these will be sold individually.

CRANE'S SCREW
Armstrong Equipment's offer for the Ordinary Capital of Crane's Screw (Holdings) has been accepted in respect of 1,130,000 shares (45.20 per cent of the en-

Better trend for Common Bros.

COMMON BROTHERS, says that the major task of 1975-76 has been to deal with severe cash flow problems following the collapse of Newfoundland Reining Company, a trading partner.

In the interim statement provisions were made of £275,000 against amounts due from NRC and £400,000 for contingencies in connection with the right to cancel the two long-term charters for the two newsprint carriers. Following the advantageous deployment of one of these vessels it has been possible to reduce by £200,000 the contingency reserve created in April. The total now charged to profit and loss in respect of these items and the written down values enabled the cash flow position to be brought back to a level of control of these vessels.

The chairman says that the flexibility thus gained together with the backing of fleet market values substantially above book value has enabled the company to obtain to bridge the cash flow shortfall. And it has been possible to re-deploy the two newsprint carriers on better terms.

Sir Rupert also reports an improvement in earnings from other group tonnage. Furthermore, while the previous long-term charters were fixed in sterling, the group is now able, with one exception, to charter its vessels in dollars.

In the year ended June 30, 1976, group pre-tax profit fell from £13.2m to £11.1m. The trading profit of £512,000 compared with £553,000, reflects the adverse effect of the enforced termination of the charters for the three products tankers, which had subsequently to be operated on a bareboat basis at rates which were insufficient to meet running costs.

There has been charged as a separate item in the profit and loss account an amount covering upon Tyne, December 22 at the actual bad debt incurred in 11 m.

Lister looks for improvement
In his annual statement, Mr. I. E. Kornberg, chairman of textile manufacturers Lister and Co. says the beginning of the current year has shown little improvement but the first half seems to have ended on a stronger note.

Efforts are being directed towards defending the company's position, and while it is impossible to make any forecast, the order book and re-ordering encourages the Board to look for improving results in the not too distant future.

As reported on November 15, there was a loss of £648,000 for the year to March 31, 1976, compared with profits of £782,000 and the dividend is cut from 2.45p to 0.1p net per 25p share.

A statement of source and application of funds shows an increase in bank overdrafts of £1,655,000 (£71,000).

The accounts show that an expenditure of £2,300 was made to a director during the year.

The extensive programme of re-equipment and re-location of all divisions, capacity operations, machinery as part of a general rationalisation scheme proved extremely expensive during a year of steeply rising costs, members says.

Better trend for Lawtex

Mr. G. M. Schaefer, chairman of Lawtex, the clothing and umbrella manufacturers, told the annual meeting that payment of a dividend had become justified only by taking into account the considerable improvement of conditions in which the company was now operating compared with six or nine months ago.

Orders on hand warranted for the completion of all operations, and the capacity of the machinery as part of a general rationalisation scheme proved extremely expensive during a year of steeply rising costs, members says.

Meeting, Bradford, on December 21 at 12.30 p.m.

American Express International Banking Corporation

American Express International Banking Corporation is lead bank in an International Banking Group composed of commercial and merchant banking subsidiaries of American Express Company. Consolidated assets of the independent companies in the Group amounted to more than \$3.4 billion at year end 1975.

CONSOLIDATED BALANCE SHEET

September 30, 1976*

ASSETS	
Cash and due from banks	\$ 370,072,000
Time deposits	371,782,000
Investment securities—at cost	489,238,000
Investment securities—at lower of cost or market	6,214,000
Loans and discounts, less reserves:	
1976, \$41,113,000; 1975, \$37,000,000	1,570,452,000
Accounts receivable and accrued interest	71,572,000
Land, buildings and equipment—at cost, less reserves	25,084,000
Customers' acceptance liability	69,049,000
Other assets	40,050,000
	\$3,013,503,000
LIABILITIES AND SHAREHOLDERS' EQUITY	
Customers' Deposits and Credit Balances:	
Demand	\$1,033,843,000
Time	1,376,640,000
Total	2,410,483,000
Special deposit liability to U.S. Government	85,000,000
Borrowed funds	49,125,000
Due to American Express Company and subsidiaries	60,795,000
Drifts outstanding	50,481,000
Acceptances outstanding	89,206,000
Accounts payable	74,127,000
Other liabilities	43,760,000
	2,662,977,000
Shareholders' Equity:	
Capital Stock:	
Preferred—5% cumulative—authorized and outstanding 25,000 shares of \$1,000 par value	25,000,000
Common—authorized and outstanding 60,000 shares of \$100 par value	6,000,000
Capital surplus	12,281,000
Net unrealized losses on investment securities carried at lower of cost or market	(906,000)
Retained earnings	108,151,000
Total shareholders' equity	150,526,000
	\$3,013,503,000

*Figures unaudited.

BOARD OF DIRECTORS

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Chairman of the Board; American Express International Banking Corporation;
Chairman of the Board and Chief Executive Officer, American Express Company

RICHARD M. BLISS
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ROBERT V. ROOSA
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WHITNEY STONE
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MARTHA R. WALLACE
Executive Director and Vice President of The New York Fed-Ex-Ex-Ex, Inc.

RAWLEIGH WARNER, JR.
Chairman of the Board, World Oil Corporation

EUGENE R. BLACK
Advisor to the Board of Directors



International Commercial Banking Offices and Subsidiaries: Amsterdam, Antwerp, Athens, Bahrain, Basle, Bombay, Bonn, Bad Godesberg, Brussels, Cairo, Calcutta, Cannes, Chittagong, Cologne, Copenhagen, Dacca, Dubai, Düsseldorf, Florence, Frankfurt, Geneva, Grand Cayman, Hamburg, Heidelberg, Hong Kong, Jakarta, Jakarta Kota, Karachi, Kowloon, Lahore, Lausanne, London, Mestre, Milan, Monte Carlo, Munich, Naples, New Delhi, Nicosia, Okanawa, Paris, Piraeus, Roma, Salonic, Singapore, Taipei, Tokyo, Venice, Vienna, Zurich, Representatives: Birmingham, Edinburgh, Manchester, Manila, Sydney, Affiliates: Egyptian American Bank, Cairo (48% owned), International Merchant Banking Affiliates: Amex Bank Limited, London, American Express Middle East Development Company S.A., Beirut, Amman, Cairo, The Bancorp Group, Inc., Manila (29% owned).

International Headquarters: American Express Plaza, New York, N.Y. 10004

F. COPSON CO. LTD.

Builders and Plumbers Merchants
Sanitaryware and Central Heating Supplies.

"Record profits again achieved"

F. Copson (Chairman and Managing Director)

It is indeed gratifying to be able, once again, to report record profits. The group profit before taxation is £151,608, an increase of £34,000 (28%) over last year. Group turnover increased by £504,808 (31%) to £2,366,374. The results are particularly pleasing in these troubled economic times.

Both sides of our business have continued to make steady progress. The sanitary ware section fortunately holds major contracts and the heating side has improved its position in the private sector. Considerable effort will be required in both sectors and this will be forthcoming.

Our subsidiary company, Osby Warm Air Limited, has again produced record profits which we anticipate will be maintained for the current year. Every effort is being and will be made to ensure the continued profitability of this company.

It is impossible to assess prospects for the future. We can, however, take some comfort from the fact that our turnover to date during the current year shows an improvement over the corresponding period of the year under review. Every effort will be made to maintain and improve both turnover, and profits and I shall be surprised and disappointed if these do not materialise.

Rowlinson

Mr. P. J. Rowlinson,
Chairman, reports on
the half-year ended
30th September, 1976:

- ★ Profit £602,700 against £321,300.
- ★ Second half expected to show a slight increase.
- ★ Best half-year yet for industrial and commercial division.
- ★ Funds available for further industrial estates.
- ★ Interim dividend 6.6%, maximum possible.

Rowlinson Construction Group Ltd.,
Ann Street, South Reddish, Stockport, SK5 7PR.

In Scotland: Grindlays Bank Scotland

British Bank of Commerce, Glasgow,
a subsidiary of Grindlays Bank Limited, London,
has changed its name as from 1st December 1976
to Grindlays Bank Scotland Limited



Grindlays
Bank
Scotland

Head Office: 4 West Regent Street, Glasgow G2 1RG
Telephone: 041-332 5091 Telex: 779034

Grounds for
Investment?

See Eurocharts
Coffee on
Page 37



REPORT TO INVESTORS from a company called TRW

TRW Reports Record Third Quarter and Nine Months.

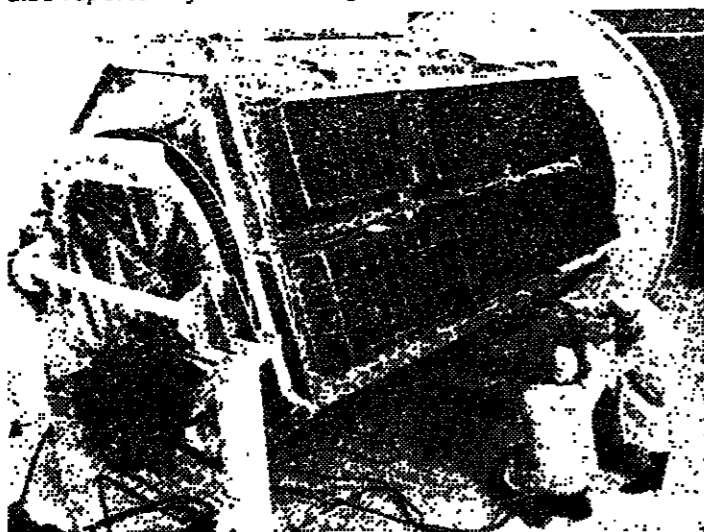
TRW Inc., an international supplier of high technology products and services, reports record third quarter sales, earnings, and earnings per share.

Third quarter sales were \$708.2 million, a 12% increase over 1974 third quarter sales of \$629.8 million. Earnings after taxes and earnings per share each rose about 11%, reaching \$32.4 million or \$0.98 per share compared with \$29.2 million or \$0.88 per share a year ago.

For the nine months, TRW posted sales of \$2,174.5 million compared with \$1,905.7 million a year ago. Net earnings reached \$96.7 million or \$2.93 per share compared with \$72.6 million or \$2.13 per share for 1974's first nine months.

TRW operating units serving worldwide automotive original equipment and replacement markets paced the company's performance in the quarter. Good results were also reported by units serving

TRW STATISTICAL SUMMARY (Dollar amounts in millions except per share data)		
THIRD QUARTER	1976	1975 (Restated)
Sales	\$ 708.2	\$ 629.8
Pre-Tax Profit	\$ 66.7	\$ 50.7
Net Earnings	\$ 32.4	\$ 29.2
Earnings Per Share		
Primary	.98	.88
Fully Diluted	.89	.80
Dividends Per Common Share	.35	.30
NINE MONTHS		
Sales	2,174.5	1,905.7
Pre-Tax Profit	190.4	130.0
Net Earnings	96.7	72.6
Earnings Per Share		
Primary	2.93	2.13
Fully Diluted	2.64	2.01
Dividends Per Common Share	1.00	.90
Common Shares		
Outstanding	27,602,000	27,451,000
Average and Equivalent	28,512,000	27,885,000



TRW technicians integrate experiments into the High Energy Astronomy Observatory due to be launched next year. The satellite will look at objects in the invisible, high-energy universe with x-ray and gamma ray instruments.

commercial data communications, spacecraft and aircraft markets.

If you would like further information on TRW, please write for a copy of our latest Quarterly Report: TRW Europe Inc., 25 St. James's Street, London SW1A-1HA.

**A COMPANY CALLED
TRW**

This advertisement appears as a matter of record only.



Canada Trustco Mortgage Company

Can. \$25,000,000

9% Debentures due December 1, 1981

Issue Price 100%

Wood Gundy Limited
Dresdner Bank Aktiengesellschaft
Kuwait Investment Company (S.A.K.)
Orion Bank Limited
Salomon Brothers International Limited
Swiss Bank Corporation (Overseas) Limited
Union Bank of Switzerland (Securities) Limited

Amsterdam-Rotterdam Bank N.V.
Credit Suisse White Weld Limited
Kredietbank N.V.
Société Générale de Banque S.A.

Alahli Bank of Kuwait (K.S.C.)
Algemeine Bank Nederland N.V.
A. E. Ames & Co. Limited
Banca del Gottardo

Amex Bank
Bache Halsey Stuart Inc.
Julius Baer International Limited
Banca del Gottardo

Bank Gutzwiller, Kurz, Bungeger
(Overseas) Limited
Bank Heusser & Cie A.G.
Bank Leu International Ltd.

Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Banque Louis-Dreyfus

Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris S.A.
Banque Populaire Suisse S.A. Luxembourg

Bayerische Hypotheken- und Wechsel-Bank
Berliner Handels- und Frankfurter Bank
Commerzbank Aktiengesellschaft

Burns Fry
Citicorp International Bank Limited
Continental Illinois Limited

Crédit Commercial de France
Crédit Industriel et Commercial
Crédit Lyonnais

Deutsche Bank
Deutsche Girozentrale-Aktiengesellschaft
Dewas & Associates International S.C.S.

Dominion Securities Corporation Harris & Partners
Effectenbank-Warburg Aktiengesellschaft

First Boston (Europe) Limited
Antony Gibbs Holdings Ltd.
Greenshields Incorporated
Hambros Bank Limited

Khalij Commercial Bank
Kidder, Peabody International Limited
Kredietbank S.A. Luxembourgcoise

Kuhn, Loeb & Co. International
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Lévesque, Beaubien Inc.

Kuwait International Investment Co. s.a.k.
McLeod, Young, Weir & Company Limited
Merrill Lynch International & Co.

Merrill Lynch Royal Securities Limited
Midland Doherty Limited
Nesbitt, Thomson Limited

W. C. Piffard & Co. (London) Limited
Richardson Securities of Canada
J. Henry Schroder Wagg & Co. Limited

Smith Barney, Harris Upham & Co. Incorporated
Società Finanziaria Assicurativa (SOFIAS) Gruppo RAS

Société Générale
Tradition Securities Limited
Vereins- und Westbank Aktiengesellschaft
Westdeutsche Landesbank Girozentrale

Commission backs public appointees on bank boards

BY FAY, GJESTER

A ROYAL COMMISSION which has been studying ways of reforming Norway's commercial banks to make them more democratic today delivered its report to the Minister of Finance, Mr. Per Kleppe.

Headed by a former Foreign Minister, Mr. Andreas Cappelen, the 17-member committee has taken nearly two years to reach its conclusions and is not unanimous on all of them. A majority, however, favours one basic innovation—increasing the number of public appointees in the banks' representative councils so that shareholder-elected representatives would be in a minority.

The representative councils should also be given greater authority, the Commission believes. They should lay down the basic guidelines for each bank's activities, though decisions on credit applications should continue to be taken by boards of directors.

Since the proposed reform would effectively disenfranchise shareholders, the report recommends that those who wish

to be allowed to sell their shares to the State, at any time within three years after the reform becomes law.

Compensation would be in line with the stock market price for the shares—either the price on the day the law takes effect or the average price over the previous five years, whichever is higher.

The Commission does not recommend a State take-over of the banks and assumes that the state will re-sell any shares it has to buy from disgruntled shareholders. Critics here have pointed out that if the State cannot or will not re-sell the shares it has to buy, this could lead to backdoor nationalisation.

On the whole, the reforms proposed in today's report are moderate ones, compared with some ideas that were being ventilated a few years ago by some Labour Party theorists. In a comment, a leading Norwegian banker has even complimented the Commission for doing a good job.

Mr. Johan Melander, managing director of Det norske Creditbank, pointed out that after a thorough analysis of the banks' activities, the Commis-

Amex fears over U.S. corporate finance

By Pauline Clark

FRANKS THAT U.S. companies' financial health is a key factor in the recovery of the economy. The recovery next year may be seriously hampered by inadequate stock market support, he said.

Analysts at the Amex subsidiary of American Express claim that in a new study, current investment trends that a major shift in investor taste was becoming evident. Investors were now moving away from equities and into bonds and as a result, U.S. companies were likely to feel growing constraints on their capital investment programmes.

According to the bankers, caution among potential corporate investors in fixed plant and equipment had already resulted from a number of factors. In the financial markets, growth had been slow and the corporate sector was already suffering rising debt/equity ratios.

One of the chief features to come out of the study was the tendency of investors to regard the equity market as the greater area of risk. The study also indicated that the greater volatility seen in equity prices in most major economies since the market peaks of 1972. Moreover, underlying volatility in equity markets, the study argued, implied greater volatility of the macro-economy.

The increased aversion to risk on the part of investors is illustrated by the researchers' measurement of equity market relative to their historic levels. Taking the U.K. and West German markets as well as that of the U.S., it was pointed out that yields were higher than would be expected on forecast earnings while price-earnings ratios were lower. Low reverse yield gaps in all three markets were also though indicative of the trend.

Against this background, the researchers stated, a general reassessment of the proportion of portfolios held in equity has taken place. Current professional investment advice characteristically recommended 30 per cent in equities now in contrast to the 60 per cent that was advised in the equity booms of the '60s and '70s. Moreover, the trend away from equities was particularly evident in the Eurobond market where there had been a dearth of convertible issues in recent years while new issue data, both in the U.S. and U.K., bore out this trend. In 1972 in the U.S., common stock issues amounted to \$10bn. and corporate bonds to \$25bn. But in the 1975 bull market the figures were only \$7.5bn. for common stock against \$42bn. for bonds.

BELL AND HOWELL

Microfilming the files

BY ROY LEVINE

MOST COMPANIES which over-diversified during the rash 1960s are seldom heard of today. One of the few exceptions is Bell and Howell which acquired more than 25 companies in a buying spree to dilute its interests in the home camera and projector business that reached saturation after with the great Japanese challenge in the early 1960s. Fortunately, in building up its mixed bag, Bell and Howell got involved in the microfilm market long before the recent boom.

The conversion of the group from a camera company into a business equipment company has been quite recent. Most of the progress has been made from the early 1970s, even though the roots were planted when Bell and Howell first became involved in microfilm in the 1950s. The growth has been so rapid that last year the business equipment side (consisting mainly of microfilm) accounted for 43 per cent of sales, by far the biggest contribution, and 53 per cent of profits.

The group has been able to increase market share at the expense of such giants as Eastman Kodak and 3M because of faster growth outside the U.S. and because of its global concentration in the fastest growing sector. Since 1970 the world wide market has grown at 20 per cent a year to reach sales of \$1bn. in 1975. But average growth at Bell and Howell has been a quarter as fast at 35 per cent.

The group also has an edge by offering total systems, an approach that has meant selling other companies' products or acquiring companies such as Perfec to get into the lucrative computer output to microfilm side, and Micro Design Inc. (MDI), one of the leading manufacturers of microfilm readers.

A strong drive in Europe, led by senior vice-president Gerald Perutz (the only Briton

on the top management Board) and financed by local refinancing and loans, helped Bell and Howell nearly double its global market share to 12 per cent since 1971. Indeed, strong European

economic recession have brought a temporary hiccup, but the long-term trend is positive.

Most of the equipment is imported from the U.S. so the fall in the pound has put pressure on sales. In the U.K., for example (the biggest market outside the U.S. and Canada), sales are up 20 per cent so far this year but only 5 per cent in volume terms.

But hiccups apart while microfilm and the rest of the business equipment division (mailroom and optical mark readers) has kept buoyant, and the international side has increased its contribution to account for nearly a third of sales and 38 per cent of operating earnings, the U.S. chairman, Don Fry, has been pruning the losers. Last year the correspondence schools were phased out at a hefty \$18.5m. loss to turn the whole group into a \$57m. loss for the year. There still seems to be other divisions that do not fit easily into an "applied photographic company" that Bell and Howell is now trying to become.

Its resident schools and instrument-division sides come readily to mind. At least the learning systems and master side do give scope for the 18mm projectors to find a market.

The Europeans were concentrating on converting business records on files to microfilm, using microfilm jackets, while their U.S. counterparts were focusing on banks that needed microfilm for security reasons. With its faster growth, Europe now equals about half U.S. sales. Recently, Perutz has expanded his arena to include Australia, South Africa and the Far East. "The scope is still enormous," he says. "With penetration at perhaps 2 per cent. After all, wherever you see a filing cabinet, we see microfilm."

G. E. A. Perutz



SOUTH AFRICAN COMPANIES

Glen Anil problems hit Rand Bank

BY RICHARD ROLFE

A FURTHER ripple effect from recent difficulties experienced by South African township developers has come with the latest figures from Rand Bank, the small general bank which has impeccable local parentage in the form of backing from the Sanlam life insurance group through two of its associates.

Rand Bank was identified some weeks ago as one of the eight banks engaged in trying to keep Glen Anil, the biggest South African township developer, afloat in its present financial crisis which stems from excessive borrowing and poor trading conditions.

Rand Bank's R5m. exposure, though small in relation to Glen Anil's R35m. debts, was a relatively large figure for the bank with advances, lease debtors and other accounts put at R115m. In the last balance sheet, at March 31,

it now emerges that Rand Bank's profits plummeted in the six months to end-September from R510,000 to R253,000 after provisions for tax and for net transfers to contingency reserves. This left earnings per share down from 13.5 cents to 4.2 cents.

For the second half year, the board says that "in the absence of unforeseen and exceptional circumstances, the profits should be at least equivalent to those of the first half." But this is cold comfort for shareholders when in the previous year second half profits went ahead strongly to lift annual earnings to 31 cents.

This current year, the earnings outlook is far no more than about 6.5 cents and the prospects for the old 10 cent dividend is largely a matter of whether the Board is prepared to draw on reserves.

This in turn will depend on how it assesses the duration of the current downturn. But the shares at 55 cents, yielding an historic 12.2 per cent, which is much the highest yield in the banking sector, are obviously looking for a cut in the payout.

JOHANNESBURG, Nov. 30.

main, Dr. P. E. Rousseau, says that "the experience gained at Sigma in high extraction rate mining will benefit the Sasol-II mining activity and the South African coal mining industry as a whole." In the light of official calls for higher extraction rates, longwall mining is gaining ground, and price increases have helped to make the higher capital costs practicable.

Dr. Rousseau says that longer term research to improve coal conversion techniques continues but "it remains unlikely that a viable alternative process to the Fischer-Tropsch route as developed by Sasol will be available for large scale commercial application within the next ten years." In addition, he says that Sasol's consulting services on coal gasification and liquefaction continue to be in great demand from all parts of the world. But the needs of Sasol II have had to take priority in some cases.

Capital cost of Sasol II is now put at R1,900m. At October, 1975, prices, excluding the cost of the township, interest during construction, and working capital, in early 1975 an escalated cost will be worked out once final contracts have been placed. But the return on capital is not expected to vary from initial estimates, suggesting that higher oil prices have compensated for the increased capital cost.

AFROX success

AFRICAN OXYGEN, 60 per cent controlled by BOQ, has come up with remarkably good results for 1975-76 and a rise in the final dividend from 10.5 cents to 12 cents. AfroX turnover for the year to September 30 rose from R124m. to R143m. and trading profit from R10.3m. to R15.8m. At the net attributable level the rise was from R5.1m. to R8.6m. to make earnings 9 cents up at 25 cents.

All divisions seem to have performed well for AfroX, particularly the basic gas and welding plant business, aided by the key mining division Dowson and Dobson which has a big

order book from the coal mining industry. A combination of continued expansion at the collieries both for export and domestic trade as well as an intensified trend towards mechanisation should augur well for results in the current year. But within the group as a whole the tendency towards increased internal generation of funds which is evident in the latest results does not suggest much scope for dividend improvement.

Plate Glass which manufactures glass and timber products mainly for the building and shopfitting industries has run into difficult trading conditions especially in the building sector, and did reasonably well to maintain earnings at a level comparable with those of the previous period. Its turnover rose from R101m. to R106m. in the last year to September 30 but trading profit fell from R5.5m. to R5.7m. A rise in share of retained income of associated companies and decline in minority interests left the net figure marginally higher at R5m. for earnings of 30.5 cents.

The directors point out that although turnover was higher in money terms, which was 12 per cent, lower largely accounting for the weaker trend in profit margins. Changes in accounting treatment of a subsidiary also depressed the pre-tax figure but at the net attributable level the figures are comparable with last year's. The interim dividend had been maintained at 11 cents but there is no indication as to whether the directors will increase it. Perhaps indirectly in the board's observation that "it appears unlikely that the traditional pattern of greater earnings in the second half of the year will be repeated." Some fall below the previous 65 cents therefore looks a little certain.

There will be little consolation from the interests outside South Africa as earnings from the U.K. and Australia will have declined in rand terms and the Rhodesian subsidiaries have already disclosed lower profits.

INTL. FINANCIAL AND COMPANY NEWS

GERMAN CARTEL OFFICE

Yet another turning point

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE FEDERAL Cartel Office is, once again, at the crossroads. The Competition Act which it enforces, or tries to enforce, was thoroughly revised as recently as 1973, but much has changed since then.

Perched high on the crest of the boom, "Wirtschaftsminister" (Minister of Economic Affairs) did not give much thought to the possibility that it might also have to be operated in times of economic contraction or stagnation (the possibility of recession seemed downright unthinkable).

The penalty for this boundless optimism has manifested itself now in the form of the series of "defeats" suffered by the Federal Cartel Office recently in the eyes of the public. The truth of the matter is that even the Cartel Office cannot stand fast against the winds of economic reality.

This has been decisively demonstrated by its decision to block the rescue of Neckermann, one of the leading German mail order houses, by Karstadt, the largest departmental store enterprise in Europe.

There was no need to consider such policies of anti-trust law as whether the Neckermann share in the market was significant or not, only in great departmental stores, and the question would be whether the merger would be a net benefit to the consumer.

The acid criterion was the need to save 10,000 jobs. One month earlier the same consideration over jobs led the Minister of Economy to overrule the Cartel Office's veto of the proposed takeover of the Artois textile engineering group by Babcock. The issue no longer seems to be whether enterprises should be allowed to be saved, but how this should be done with proper regard for bureaucratic dignity.

Bureaucratic dignity is always approved of any special rules in danger when law clashes with for rescue mergers. The economic facts of life. In the event the political responsibility was too big for the rescue mergers. The law usually has to give way and this Office to bear. It gave way. And it is exactly what the cry went up in Germany. The 1973 Competition Act does not provide for the only way of restoring order to the rescue mergers. The Cartel Office is bound to disallow mergers of a certain size whenever competition is "genuine" rescue mergers. This is not the only impulse Minister of Economy to overrule towards law reform stimulated

... the issue no longer seems to be whether enterprises should be allowed to be saved, but how this should be done with proper regard for bureaucratic dignity.

on grounds of overriding national interest. That means that the Minister can approve the rescue operation only after the Cartel Office has banned it—and the law gives the Cartel Office plenty of time to think about it. If the issue was left to Bonn the rescue could come too late.

In the case of Karstadt/Neckermann the Cartel Office had to make up its mind by November 22. But on November 18 and 19 (Thursday and Friday) Neckermann started to slide fast into bankruptcy. On Monday, November 22, a spokesman for the Cartel Office had to announce hastily that the Office would not make use of its power to stop the takeover.

This was a sudden about-turn. The Cartel Office gave observers to understand earlier that it would oppose the merger and its recently appointed President, Herr Wolfgang Korte, went on record when he said that he dis-

evolved by them for the protection of the small retailers' majority.

Demands for a revision of the Competition Act have also come from other directions. The Consumer Council attached to the Bonn Ministry of Economics is pressing for more consumer protection to be built into the law. It complains that the prescribed Retail Price Maintenance has returned through the back door, under the guise of "not binding" price recommendations. Consumer organisations represented on the Council demand that they should be given the power to require the prohibition of specific agreements adversely affecting competition and the consumer, and to sue for damages on behalf of the consumers.

They demand similar powers in respect of misleading advertising and want to take-in legislation which would oblige the advertiser if challenged, to prove the truthfulness of his advertising. The Consumer Council has also come forward with the far-reaching proposals that the scope of the Cartel Office should be widened, to include the sectors of far exempt from its jurisdiction: agriculture, power generation and banking.

As far as banking is concerned, consumers have an influential ally. The German Monopolies Commission report for the period 1973-1975 now published in book-form proposes drastic restrictions on the control which banks exercise in Germany over industry. Banks should be prohibited from acquiring further shares in enterprises in which they already hold a 5 per cent. equity interest.

Exemptions from this rule should come within the scope of the German banking law in Berlin and not of the Cartel Office which would thus continue to operate on the fringe of important German trusts and cartels, which are set up and perpetuated by the departments of the large commercial banks.

AMERICAN COMPANIES

Philadelphia options approval

BY STEWART FLEMING

THE U.S. Securities and Exchange Commission has approved a proposal to permit specialists on the Philadelphia Stock Exchange to trade options in order to hedge their own positions. The specialists, who perform a similar role to jobbers in London in trying to maintain orderly markets, will not however be allowed to make markets in options.

The decision is significant because three other exchanges have similar applications in to the SEC, which is the agency responsible for regulating share options markets.

The New York Stock Exchange and the Midwest Stock Exchange have presented similar proposals. There have been indications that the SEC is being particularly cautious about the NYSE proposal, because of reservations about competition on the Exchange and also because of its importance as the major market in which the shares underlying the options are traded.

In approving the Philadelphia application the SEC made the point that Philadelphia's total share of market volume in the stocks underlying the options is only 1.7 per cent. "Therefore, the manipulative potential inherent in changing the current restrictions appears insignificant." At present only "call" options to buy shares are allowed in the U.S. options markets although a number of applications to start trading "put" options to sell shares in the future at the

option price are being considered by the SEC. **Goldman acts for ARCO** ATLANTIC RICHFIELD Company (ARCO) has selected Goldman, Sachs and Co. to act as broker for the purchase of the company's common stock for various short-term plans of the company and certain of its affiliates reports UNS from Los Angeles.

The purchases to be made by Goldman, Sachs will be on the open market and will commence in December. Substantially all the purchases of the company's stock for the short-term plans are currently made directly from the company. The purchases will be subject to certain volume, timing and bidding restrictions imposed by the Securities and Exchange Commission.

U.S. bank confidence FEAR has given way to confidence in the U.S. banking industry, a leading American banker said today.

"The calamities that some foresaw in the severe economic shakeout of 1974-75 which cut the market price of bank stocks in half have not come to pass," said Mr. Roger Anderson, chairman of Continental Illinois Corporation, holding company of Continental Bank of Chicago, the seventh largest U.S. bank. Mr. Anderson told a meeting

Fiat share rumours denied

By Tony Robinson

ROME, Nov. 30. PERSISTENT RUMOURS on the Italian Bourse and in Switzerland that the Agnelli family were negotiating to sell a packet of Fiat shares either to an Italian State Corporation, a U.S. motor manufacturer or to Arab interests were dismissed as being completely unfounded by the official Fiat spokesman Sig. Luca di Montezemolo to-night.

He added that the rumours had arisen after a significant rise in Fiat Ordinary and privileged shares in recent weeks. Ordinary shares started the month around Lire400, closed on the Turin Bourse today at Lire1,738 while the privileged shares were around Lire800 at the start of the month and closed today at Lire1,035, Lire20 down on yesterday's close.

The Fiat spokesman attributed the recent rise, accompanied by selective buying of other industrial shares like Pirelli, to Fiat being one of the few quoted Italian companies not weighed down by excessive debts while, as the latest 5 per cent. average price rise announced last week indicates, it has been able to keep prices in line with inflation. This explanation was endorsed by Milan Bourse sources who indicated that rumours of a share sale by the Agnelli family appeared to be a typical speculative manoeuvre.

Nine month sales gain at GB-Inno.

By David Buchan

BRUSSELS, Nov. 30. INTERIM results for GB-INNO-BM, Belgium's largest retailing chain, show turnover for the first nine months of this year at BFRs45bn, which is 20 per cent up compared with the same period last year. Net provisional profit is set at BFRs322m, for a period that is generally much slacker than the past three months.

In 1975 GB-Inno turned a loss of BFRs12m, for the first nine months into an overall profit for the year of BFRs212m. A GB-Inno spokesman said that it was still too early to gauge whether the fall in sterling would lead many of its customers to flock into Britain. But they conceded that many might be tempted to do so in the immediate run up to Christmas, particularly for more expensive items. The Brussels Press has carried reports that in recent weeks many Belgians returning from British shopping sprees have exceeded their duty-free allowances: only on next July 1 will all remaining duties be abolished between the old and new EEC member states.

In line with Belgian practice, GB-Inno has not announced any interim dividend. It is only because of a recent recommendation from the Brussels Stock Exchange Council that an increased number of companies are publishing at least some interim figures.

Int. Harvester recovery INTERNATIONAL Harvester has reported a recovery in fourth quarter net profits to \$40.1m, or \$1.69 a share. In the comparable period last year, the company recorded a loss of \$40.8m.

EUROBONDS

Demand for Polysar

BY TONY HAWKINS

DEMAND for the \$25m. Polysar 10-year bullet issue is understood to have been very strong indeed and there is speculation that the size of the issue will today be increased to between \$40m and \$50m. The Polysar issue on a 10 per cent coupon is to be placed today with market sources hinting that it has been oversubscribed several times already. The lead manager is Wood Gundy.

The Dow Chemical private placing, increased from \$100m to \$120m, has started strongly in the secondary market. The 10-year bonds carrying interest at 8 per cent, and issued at par of a point down. But buyers were encouraged by the combination of a steady tone in the currency in the afternoon and the attractiveness of yields at the lower price levels. Accordingly, there was strong buying later in the day so that Canadian bonds were either unchanged, or in some cases even better, on the day's trading.

Seasoned bonds were lower in the dollar sector yesterday, mainly reflecting month and clearing of positions by professional rather than any client buying later in the day so that dollar bonds were either unchanged, or in some cases even better, on the day's trading. However, very active conditions continued in the Canadian dollar market. The morning on the selling in the Canadian dollar market and at one stage, bond prices were about three-quarters

of a point down. But buyers were encouraged by the combination of a steady tone in the currency in the afternoon and the attractiveness of yields at the lower price levels. Accordingly, there was strong buying later in the day so that Canadian bonds were either unchanged, or in some cases even better, on the day's trading.

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SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

STRAIGHT	Mid	Offer	STRAIGHT	Mid	Offer
Alcan 10% 1980	104 1/2	98 1/2	Rockwell 8 1/2 1983	97 1/2	99 1/2
Alcan 10% 1981	104 1/2	98 1/2	Rockwell 8 1/2 1984	97 1/2	99 1/2
Alcan 10% 1982	104 1/2	98 1/2	Rockwell 8 1/2 1985	97 1/2	99 1/2
Alcan 10% 1983	104 1/2	98 1/2	Rockwell 8 1/2 1986	97 1/2	99 1/2
Alcan 10% 1984	104 1/2	98 1/2	Rockwell 8 1/2 1987	97 1/2	99 1/2
Alcan 10% 1985	104 1/2	98 1/2	Rockwell 8 1/2 1988	97 1/2	99 1/2
Alcan 10% 1986	104 1/2	98 1/2	Rockwell 8 1/2 1989	97 1/2	99 1/2
Alcan 10% 1987	104 1/2	98 1/2	Rockwell 8 1/2 1990	97 1/2	99 1/2
Alcan 10% 1988	104 1/2	98 1/2	Rockwell 8 1/2 1991	97 1/2	99 1/2
Alcan 10% 1989	104 1/2	98 1/2	Rockwell 8 1/2 1992	97 1/2	99 1/2
Alcan 10% 1990	104 1/2	98 1/2	Rockwell 8 1/2 1993	97 1/2	99 1/2
Alcan 10% 1991	104 1/2	98 1/2	Rockwell 8 1/2 1994	97 1/2	99 1/2
Alcan 10% 1992	104 1/2	98 1/2	Rockwell 8 1/2 1995	97 1/2	99 1/2
Alcan 10% 1993	104 1/2	98 1/2	Rockwell 8 1/2 1996	97 1/2	99 1/2
Alcan 10% 1994	104 1/2	98 1/2	Rockwell 8 1/2 1997	97 1/2	99 1/2
Alcan 10% 1995	104 1/2	98 1/2	Rockwell 8 1/2 1998	97 1/2	99 1/2
Alcan 10% 1996	104 1/2	98 1/2	Rockwell 8 1/2 1999	97 1/2	99 1/2
Alcan 10% 1997	104 1/2	98 1/2	Rockwell 8 1/2 2000	97 1/2	99 1/2
Alcan 10% 1998	104 1/2	98 1/2	Rockwell 8 1/2 2001	97 1/2	99 1/2
Alcan 10% 1999	104 1/2	98 1/2	Rockwell 8 1/2 2002	97 1/2	99 1/2
Alcan 10% 2000	104 1/2	98 1/2	Rockwell 8 1/2 2003	97 1/2	99 1/2
Alcan 10% 2001	104 1/2	98 1/2	Rockwell 8 1/2 2004	97 1/2	99 1/2
Alcan 10% 2002	104 1/2	98 1/2	Rockwell 8 1/2 2005	97 1/2	99 1/2
Alcan 10% 2003	104 1/2	98 1/2	Rockwell 8 1/2 2006	97 1/2	99 1/2
Alcan 10% 2004	104 1/2	98 1/2	Rockwell 8 1/2 2007	97 1/2	99 1/2
Alcan 10% 2005	104 1/2	98 1/2	Rockwell 8 1/2 2008	97 1/2	99 1/2
Alcan 10% 2006	104 1/2	98 1/2	Rockwell 8 1/2 2009	97 1/2	99 1/2
Alcan 10% 2007	104 1/2	98 1/2	Rockwell 8 1/2 2010	97 1/2	99 1/2
Alcan 10% 2008	104 1/2	98 1/2	Rockwell 8 1/2 2011	97 1/2	99 1/2
Alcan 10% 2009	104 1/2	98 1/2	Rockwell 8 1/2 2012	97 1/2	99 1/2
Alcan 10% 2010	104 1/2	98 1/2	Rockwell 8 1/2 2013	97 1/2	99 1/2
Alcan 10% 2011	104 1/2	98 1/2	Rockwell 8 1/2 2014	97 1/2	99 1/2
Alcan 10% 2012	104 1/2	98 1/2	Rockwell 8 1/2 2015	97 1/2	99 1/2
Alcan 10% 2013	104 1/2	98 1/2	Rockwell 8 1/2 2016	97 1/2	99 1/2
Alcan 10% 2014	104 1/2	98 1/2	Rockwell 8 1/2 2017	97 1/2	99 1/2
Alcan 10% 2015	104 1/2	98 1/2	Rockwell 8 1/2 2018	97 1/2	99 1/2
Alcan 10% 2016	104 1/2	98 1/2	Rockwell 8 1/2 2019	97 1/2	99 1/2
Alcan 10% 2017	104 1/2	98 1/2	Rockwell 8 1/2 2020	97 1/2	99 1/2
Alcan 10% 2018	104 1/2	98 1/2	Rockwell 8 1/2 2021	97 1/2	99 1/2
Alcan 10% 2019	104 1/2	98 1/2	Rockwell 8 1/2 2022	97 1/2	99 1/2
Alcan 10% 2020	104 1/2	98 1/2	Rockwell 8 1/2 2023	97 1/2	99 1/2
Alcan 10% 2021	104 1/2	98 1/2	Rockwell 8 1/2 2024	97 1/2	99 1/2
Alcan 10% 2022	104 1/2	98 1/2	Rockwell 8 1/2 2025	97 1/2	99 1/2
Alcan 10% 2023	104 1/2	98 1/2	Rockwell 8 1/2 2026	97 1/2	99 1/2
Alcan 10% 2024	104 1/2	98 1/2	Rockwell 8 1/2 2027	97 1/2	99 1/2
Alcan 10% 2025	104 1/2	98 1/2	Rockwell 8 1/2 2028	97 1/2	99 1/2
Alcan 10% 2026	104 1/2	98 1/2	Rockwell 8 1/2 2029	97 1/2	99 1/2
Alcan 10% 2027	104 1/2	98 1/2	Rockwell 8 1/2 2030	97 1/2	99 1/2
Alcan 10% 2028	104 1/2	98 1/2	Rockwell 8 1/2 2031	97 1/2	99 1/2
Alcan 10% 2029	104 1/2	98 1/2	Rockwell 8 1/2 2032	97 1/2	99 1/2
Alcan 10% 2030	104 1/2	98 1/2	Rockwell 8 1/2 2033	97 1/2	99 1/2
Alcan 10% 2031	104 1/2	98 1/2	Rockwell 8 1/2 2034	97 1/2	99 1/2
Alcan 10% 2032	104 1/2	98 1/2	Rockwell 8 1/2 2035	97 1/2	99 1/2
Alcan 10% 2033	104 1/2	98 1/2	Rockwell 8 1/2 2036	97 1/2	99 1/2
Alcan 10% 2034	104 1/2	98 1/2	Rockwell 8 1/2 2037	97 1/2	99 1/2
Alcan 10% 2035	104 1/2	98 1/2	Rockwell 8 1/2 2038	97 1/2	99 1/2
Alcan 10% 2036	104 1/2	98 1/2	Rockwell 8 1/2 2039	97 1/2	99 1/2
Alcan 10% 2037	104 1/2	98 1/2	Rockwell 8 1/2 2040	97 1/2	99 1/2
Alcan 10% 2038	104 1/2	98 1/2	Rockwell 8 1/2 2041	97 1/2	99 1/2
Alcan 10% 2039	104 1/2	98 1/2	Rockwell 8 1/2 2042	97 1/2	99 1/2
Alcan 10% 2040	104 1/2	98 1/2	Rockwell 8 1/2 2043	97 1/2	99 1/2
Alcan 10% 2041	104 1/2	98 1/2	Rockwell 8 1/2 2044	97 1/2	99 1/2
Alcan 10% 2042	104 1/2	98 1/2	Rockwell 8 1/2 2045	97 1/2	99 1/2
Alcan 10% 2043	104 1/2	98 1/2	Rockwell 8 1/2 2046	97 1/2	99 1/2
Alcan 10% 2044	104 1/2	98 1/2	Rockwell 8 1/2 2047	97 1/2	99 1/2
Alcan 10% 2045	104 1/2	98 1/2	Rockwell 8 1/2 2048	97 1/2	99 1/2
Alcan 10% 2046	104 1/2	98 1/2	Rockwell 8 1/2 2049	97 1/2	99 1/2
Alcan 10% 2047	104 1/2	98 1/2	Rockwell 8 1/2 2050	97 1/2	99 1/2
Alcan 10% 2048	104 1/2	98 1/2	Rockwell 8 1/2 2051	97 1/2	99 1/2
Alcan 10% 2049	104 1/2	98 1/2	Rockwell 8 1/2 2052	97 1/2	99 1/2
Alcan 10% 2050	104 1/2	98 1/2	Rockwell 8 1/2 2053	97 1/2	99 1/2
Alcan 10% 2051	104 1/2	98 1/2	Rockwell 8 1/2 2054	97 1/2	99 1/2
Alcan 10% 2052	104 1/2	98 1/2	Rockwell 8 1/2 2055	97 1/2	99 1/2
Alcan 10% 2053	104 1/2	98 1/2	Rockwell 8 1/2 2056	97 1/2	99 1/2
Alcan 10% 2054	104 1/2	98 1/2	Rockwell 8 1/2 2057	97 1/2	99 1/2
Alcan 10% 2055	104 1/2	98 1/2	Rockwell 8 1/2 2058	97 1/2	99 1/2
Alcan 10% 2056	104 1/2	98 1/2	Rockwell 8 1/2 2059	97 1/2	99 1/2
Alcan 10% 2057	104 1/2	98 1/2	Rockwell 8 1/2 2060	97 1/2	99 1/2
Alcan 10% 2058	104 1/2	98 1/2	Rockwell 8 1/2 2061	97 1/2	99 1/2
Alcan 10% 2059	104 1/2	98 1/2	Rockwell 8 1/2 2062	97 1/2	99 1/2
Alcan 10% 2060	104 1/2	98 1/2	Rockwell 8 1/2 2063	97 1/2	99 1/2
Alcan 10% 2061	104 1/2	98 1/2	Rockwell 8 1/2 2064	97 1/2	99 1/2
Alcan 10% 2062	104 1/2	98 1/2	Rockwell 8 1/2 2065	97 1/2	99 1/2
Alcan 10% 2063	104 1/2	98 1/2	Rockwell 8 1/2 2066	97 1/2	99 1/2
Alcan 10% 2064	104 1/2	98 1/2	Rockwell 8 1/2 2067	97 1/2	99 1/2
Alcan 10% 2065	104 1/2	98 1/2	Rockwell 8 1/2 2068	97 1/2	99 1/2
Alcan 10% 2066	104 1/2	98 1/2	Rockwell 8 1/2 2069	97 1/2	99 1/2
Alcan 10% 2067	104 1/2	98 1/2	Rockwell 8 1/2 2070	97 1/2	99 1/2
Alcan 10% 2068	104 1/2	98 1/2	Rockwell 8 1/2 2071	97 1/2	99 1/2
Alcan 10% 2069	104 1/2	98 1/2	Rockwell 8 1/2 2072	97 1/2	99 1/2
Alcan 10% 2070	104 1/2	98 1/2	Rockwell 8 1/2 2073	97 1/2	99 1/2
Alcan 10% 2071	104 1/2	98 1/2	Rockwell 8 1/2 2074	97 1/2	99 1/2
Alcan 10% 2072	104 1/2	98 1/2	Rockwell 8 1/2 2075	97 1/2	99 1/2
Alcan 10% 2073	104 1/2	98 1/2	Rockwell 8 1/2 2076	97 1/2	99 1/2
Alcan 10% 2074	104 1/2	98 1/2	Rockwell 8 1/2 2077	97 1/2	99 1/2
Alcan 10% 2075	104 1/2	98 1/2	Rockwell 8 1/2 2078	97 1/2	99 1/2
Alcan 10% 2076	104 1/2	98 1/2	Rockwell 8 1/2 2079	97 1/2	99 1/2
Alcan 10% 2077	104 1/2	98 1/2	Rockwell 8 1/2 2080	97 1/2	99 1/2
Alcan 10% 2078	104 1/2	98 1/2	Rockwell 8 1/2 2081	97 1/2	99 1/2
Alcan 10% 2079	104 1/2	98 1/2	Rockwell 8 1/2 2082	97 1/2	99 1/2
Alcan 10% 2080	104 1/2	98 1/2	Rockwell 8 1/2 2083	97 1/2	99 1/2
Alcan 10% 2081	104 1/2	98 1/2	Rockwell 8 1/2 2084	97 1/2	99 1/2
Alcan 10% 2082	104 1/2	98 1/2	Rockwell 8 1/2 2085	97 1/2	99 1/2
Alcan 10% 2083	104 1/2	98 1/2	Rockwell 8 1/2 2086	97 1/2	99 1/2
Alcan 10% 2084	104 1/2	98 1/2	Rockwell 8 1/2 2087	97 1/2	99 1/2
Alcan 10% 2085	104 1/2	98 1/2	Rockwell 8 1/2 2088	97 1/2	99 1/2
Alcan 10% 2086	104 1/2	98 1/2	Rockwell 8 1/2 2089	97 1/2	99 1/2
Alcan 10% 2087	104 1/2	98 1/2	Rockwell 8 1/2 2090	97 1/2	99 1/2
Alcan 10% 2088	104 1/2	98 1/2	Rockwell 8 1/2 2091	97 1/2	99 1/2
Alcan 10% 2089	104 1/2	98 1/2	Rockwell 8 1/2 2092	97 1/2	99 1/2
Alcan 10% 2090	104 1/2	98 1/2	Rockwell 8 1/2 2093	97 1/2	99 1/2
Alcan 10% 2091	104 1/2	98 1/2	Rockwell 8 1/2 2094	97 1/2	99 1/2
Alcan 10% 2092	104 1/2	98 1/2	Rockwell 8 1/2 2095	97 1/2	99 1/2
Alcan 10% 2093	104 1/2	98 1/2	Rockwell 8 1/2 2096	97 1/2	99 1/2
Alcan 10% 2094	104 1/2	98 1/2	Rockwell 8 1/2 2097	97 1/2	99 1/2
Alcan 10% 2095	104 1/2	98 1/2	Rockwell 8 1/2 2098	97 1/2	99 1/2
Alcan 10% 2096	104 1/2	98 1/2	Rockwell 8 1/2 2099	97 1/2	99 1/2
Alcan 10% 2097	104 1/2	98 1/2	Rockwell 8 1/2 2100	97 1/2	99 1/2
Alcan 10% 2098	104 1/2	98 1/2	Rockwell 8 1/2 2101	97 1/2	99 1/2
Alcan 10% 2099	104 1/2	98 1/2	Rockwell 8 1/2 2102	97 1/2	99 1/2
Alcan 10% 2100	104 1/2	98 1/2	Rockwell 8 1/2 2103	97 1/2	99 1/2
Alcan 10% 2101	104 1/2	98 1/2	Rockwell 8 1/2 2104	97 1/2	99 1/2
Alcan 10% 2102	104 1/2	98 1/2	Rockwell 8 1/2 2105	97 1/2	99 1/2
Alcan 10% 2103	104 1/2	98 1/2	Rockwell 8 1/2 2106	97 1/2	99 1/2
Alcan 10% 2104	104 1/2	98 1/2	Rockwell 8 1/2 2107	97 1/2	99 1/2
Alcan 10% 2105	104 1/2	98 1/2	Rockwell 8 1/2 2108	97 1/2	99 1/2
Alcan 10% 2106	104 1/2	98 1/2	Rockwell 8 1/2 2109	97 1/2	99 1/2
Alcan 10% 2107	104 1/2	98 1/2	Rockwell 8 1/2 2110	97 1/2	99 1/2
Alcan 10% 2108	104 1/2	98 1/2	Rockwell 8 1/2 2111	97 1/2	99 1/2
Alcan 10% 2109	104 1/2	98 1/2	Rockwell 8 1/2 2112	97 1/2	99 1/2
Alcan 10% 2110	104 1/2	98 1/2	Rockwell 8 1/2 2113	97 1/2	99 1/2
Alcan 10% 2111	104 1/2	98 1/2	Rockwell 8 1/2 2114	97 1/2	99 1/2
Alcan 10% 2112	104 1/2	98 1/2	Rockwell 8 1/2 2115	97 1/2	99 1/2
Alcan 10% 2113	104 1/2	98 1/2	Rockwell 8 1/2 2116	97 1/2	99 1/2
Alcan 10% 2114	104 1/2	98 1/2	Rockwell 8 1/2 2117	97 1/2	99 1/2
Alcan 10% 2115	104 1/2	98 1/2	Rockwell 8 1/2 2118	97 1/2	99 1/2
Alcan 10% 2116	104 1/2	98 1/2	Rockwell 8 1/2 2119	97 1/2	99 1/2
Alcan 10% 2117	104 1/2	98 1/2	Rockwell 8 1/2 2120	97 1/2	99 1/2
Alcan 10% 2118	104 1/2	98 1/2	Rockwell 8 1/2 2121	97 1/2	99 1/2
Alcan 10% 2119	104 1/2	98 1/2	Rockwell 8 1/2 2122	97 1/2	99 1/2
Alcan 10% 2120	104 1/2	98 1/2	Rockwell 8 1/2 2123	97 1/2	99 1/2
Alcan 10% 2121	104 1/2	98 1/2	Rockwell 8 1/2 2124	97 1/2	99 1/2
Alcan 10% 2122	104 1/2	98 1/2	Rockwell 8 1/2 2125	97 1/2	99 1/2
Alcan 10% 2123	104 1/2	98 1/2	Rockwell 8 1/2 2126	97 1/2	99 1/2
Alcan 10% 2124	104 1/2	98 1/2	Rockwell 8 1/2 2127	97 1/2	99 1/2
Alcan 10% 2125	104 1/2	98 1/2	Rockwell 8 1/2 2128	97 1/2	99 1/2
Alcan 10% 2126	104 1/2	98 1/2	Rockwell 8 1/2 2129	97 1/2	99 1/2
Alcan 10% 2127	104 1/2	98 1/2	Rockwell 8 1/2 2130	97 1/2	99 1/2
Alcan 10% 2128	104 1/2	98 1/2	Rockwell 8 1/2 21		

STEEL + OVERSEAS MARKETS

Steel price fears push index lower

FOREIGN EXCHANGES

Pound improves

BY OUR WALL STREET CORRESPONDENT

SHARE PRICES moved lower in slow trading on Wall Street today, but by profit-taking after gains last week and concerns about steel price increases.

By 1 p.m., however, the market was moving up again so that the

Closing prices and market reports were not available for this edition.

Dow Jones Industrial Average at 11 a.m. showed a loss of only 1.50 at 148.55.

The NYSE All Common index was 12 cents lower at 854.57 having pulled back from being 23 cents higher at 11 a.m.

Volume, at 9.22 a.m., shares, was 17.7m, below yesterday's 1 p.m. level, with declines leading advances about two-to-one.

U.S. Steel dropped 2 1/2 to \$47.10, Bethlehem Steel was unchanged at \$26.

Aluminum Company of America, which yesterday said it planned

to raise prices on some aluminum sheet products, eased \$1 to \$33.80.

Reynolds Metals lost \$1 to \$35.

Motors lost \$1 to \$33.10—it filed for a secondary offering of 250,000 shares of Common.

Zapata Corporation moved up \$1 to \$32.10, reported fourth quarter earnings last

yesterday.

Carrier Corporation slipped \$1 to \$30.10, it is to raise prices by 2.5 per cent. from December 27

on all residential and commercial air conditioning equipment, furnaces and unit heaters.

Prices on the AMERICAN SE declined in slow trading, the index surrendering 0.47 to 89.92

by 1 p.m. Declines held a three-to-two

edge over advances in a 1 p.m. volume of 1.01m shares (1.03m).

U.S. Steel dropped 2 1/2 to \$47.10, Bethlehem Steel was unchanged at \$26.

Aluminum Company of America, which yesterday said it planned

to raise prices on some aluminum sheet products, eased \$1 to \$33.80.

Reynolds Metals lost \$1 to \$35.

PARIS—Prices dropped over a wide front in quiet trading.

Only five significant improvements were seen—in St. Louis, Mumm, Hutehinson, CFA and

Machinist Ball.

All sectors were off, with heaviest losses suffered by Lohr, Ball, Kiehn, Pöckel, BHV, Imetal and Moulins.

GERMANY—Mostly down slightly, in line with London's gains, New York's DAX

Commerzbank index eased 2.6 to 723.2.

Neckermann was traded officially for the first time in a week and closed at 12.92, down 0.10 from its official close (Nov. 22) but only DAX33.50 lower than its over-the-counter price of 12.92.

Plans for reorganising Neckermann and the eventual takeover by Kautsky-Dornier at DAX33.50 were announced on Monday.

In weak Motors, BMW fell DAX33.50 to DAX33.50, VW DAX2 to DAX133.50 and Daimler 70 pennings to DAX33.50.

Commerzbank was alone among the main banks in moving higher in October, while the rest of the market's low start delayed the gains.

Also eased 70 cents to DAX33.50, Philips DAX33.50 to DAX33.50, Royal Delft DAX33.50 to DAX33.50 and Unilever DAX33.50 to DAX33.50.

Algemeine Bank Nederland lost 1/2 to DAX33.50 in weaker Banks, and insurance also gave ground.

Irregular Transportation Van Ommen gained 1/2 to DAX33.50, but KNSM Group fell to DAX33.50.

BRUSSELS—Lower. Minutair lost 1/2 to DAX33.50, but Sambre gave up B.F.R.43 to DAX33.50.

Among Motors, Fiat lost 25 cents to DAX33.50, DRA 13 cents to DAX33.50.

Among Banks, BNP lost 1 cent to DAX33.50, after raising its copper price yesterday.

Among Industrials, BEP lost 18 cents to DAX33.50, after raising its copper price yesterday.

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FINANCIAL TIMES SURVEY

Wednesday December 1 1976

Unit Load

Pallets and other unit load devices are essential to an efficient transport industry and are becoming more flexible in their use. But rising costs are forcing manufacturers and users to look carefully at the economics of these operations.

Adapting to new needs

By Lorne Barling

AS WITH many other industries, the introduction of new techniques and technology to the business of moving goods efficiently and securely has brought about fundamental changes. The simple wood pallet remains the basic tool of the industry, but it is being continually challenged by new products.

The country's major users of pallets or other forms of unit load, ranging from the major food manufacturers to heavy industry, have become more aware that for secure and efficient delivery of products, they must keep abreast of every innovation and improvement.

It has become increasingly clear to these companies, some of which buy up to 300,000 pallets a year, that these units must be adapted in the best possible way for the product concerned to be shipped efficiently. In the past various forms of rough covering were used to protect goods on the pallet.

Now these coverings or other forms of protection have become a highly specialised sector of the overall unit load industry, of which pallets remain the major part, with an annual U.K. turnover of £40m. The most widely used form of covering is plastic film, applied in two fundamentally different ways, but which has the major advantage of being hygienic and convenient if not difficult for pilferers.

These are known as shrink wrap and stretch wrap, and are familiar to the consumer in the slightly different form in which they are used for packaging food and other consumer products. The supply of equipment for the purpose of covering unit loads has now become an important aspect of the industry.

More and more companies are examining the different types of products available to protect goods, such as the fastest expanding sector of the industry, the pallet box. This is basically a heavy duty board container attached to a conventional pallet, which is ideal for goods which may be difficult to hold in place by normal methods. Although not yet widely exploited, it offers excellent advertising potential.

But the basic concern of manufacturing industry, as always, is how to achieve its aims at a reasonable cost. In the past the cost of pallets was never regarded as particularly significant against other overheads, but the steep rise in the price of wood in recent years has altered this view.

sterling, has had serious implications. Companies have also become more and more cost conscious due to economic conditions.

These high costs, as industry is well aware, are due mainly to the extremely high losses of pallets. In 1967 concern reached such a level as to prompt Government consideration of setting up a pallet "pool" which would allow the recycling of pallets for further use, rather than allow them to be stolen or broken up for other purposes.

Rental

However, it was later decided that this should be the job of the private industry, and last year a great deal of research and a great deal of research such an operation was started by a newly formed company, GKN Chep, which is jointly owned by the Brambell Group of Australia (which has a similar operation there) and GKN, The venture, which works fundamentally on the rental of pallets, is claimed to be widely successful, but is still far from the ultimate hope of industry—a truly national pallet pool.

Although the recent demise of the pallet recovery scheme operated by the Food Manufacturers Association can perhaps be attributed largely to the defection of Spillers and Nestlé to the GKN Chep pool, there can be no doubt that the pool was regarded as particularly significant against other overheads, but the steep rise in the price of wood in recent years has altered this view.



Stacking caged food items in the Tesco hypermarket at Trilam.

the member companies and ex- they have the membership of changed, rather than be owned companies such as Tate and by the operator. These ex- Lyle, Brooke Bond Oxo, Allied changes could be monitored by Breweries, Colgate Palmolive computer and the need for and Rank Hovis McDougall to "turning them to a central prove the seriousness of their point for recycling would be eliminated. However, GKN no major setbacks, and new investment is continually being made, but only experience will prove whether the system will market cannot be discredited.

It is apparent from recent statements by GKN Chep that they already regard their operation as a national system and universal in the U.K.

the average cost per journey of a pallet, taking into account its cost, amortisation, depreciation and other factors, is 68p; this effectively rules out the prospect of a disposable pallet for use within the U.K., although deliveries abroad are a different matter. Whether GKN Chep can remain competitive as over-heads for a national system grow, also remains to be seen. The company believes, however, that rental charges will not become a problem.

From the point of view of the pallet manufacturer, GKN Chep is a fine customer, but again in the long-term it could bring about difficulties. If, as is hoped by the users, pallet losses are progressively reduced over the years, demand for new units will decrease substantially and have severe effects on the manufacturers. Some would argue that this is unlikely, but a number of these companies have already started to diversify, decreasing their dependence on pallet manufacture.

Some have moved into metal pallets, keg spacers, cable drums and shrink wrap equipment, perhaps believing that innovations are going to change the industry to the extent that their fairly simple skills of pallet making could easily be overtaken by events. Even more significant is a recent inquiry from a major public company on production of its own pallets, tailored to meet its specific needs, and perhaps for sale on the open market.

A wide range of products, rises.

some of which are available because of diversification, will be on display at the Unit Load Show being held at the Wembley Conference Centre, from December 7 to December 10.

There are indications that more companies may invest in production facilities of this kind, particularly for specialised jobs. For example, G. R. Stein of Sheffield has set up manufacture of unit load products for the transport of its refractory bricks.

At present pallet manufacturers are still working below capacity, although at an improved level compared with the start of the year; nevertheless, because of its dependence upon the food industry, and the persistence of losses, demand normally remains fairly stable. The level of stocking in industry generally is one of the main yardsticks of demand.

Triggered

Demand is also increasingly sensitive to price, which is determined largely by imported wood prices. Although the majority of timber used for pallets comes from Portugal, the price of this timber is usually dependent upon the price of Russian timber, which tends to dominate the market. In turn this is geared to dollar-sterling exchange rates, and a price rise was triggered recently when sterling fell below the \$1.70 barrier. Recent pallet buying levels are believed to reflect efforts to beat price rises.

In the wider context, there is no doubt about the overall growth in pallet use. It is estimated that at an average selling price of £3.50 to £4, the overall turnover of the U.K. manufacturing industry is up to £50m. a year, with production currently at about 12m units a year. The six largest companies, produced about 43 per cent of the total and the top ten 58 per cent. France, according to their largest producer, has an annual output of about 12m pallets at an average price of Frs.30 each.

But the most accurate figures come from the National Wooden Pallet and Container Association in the United States, which show that in 1972 there were more than 154m. units produced and sold in the United States. Growth over the previous year was more than 12 per cent, the largest in any single year. It is predicted that around 400m. pallets will be sold annually in the U.S. by 1985.

Just as standardisation and rationalisation of the industry is occurring in industrialised countries, it is increasingly likely that international agreements will come about, though perhaps in the distant future. There is no doubt that third world countries will play an important role in this development, particularly in relation to the transport of semi-finished goods. But the implications are considerable when considering the estimate that if all palletisable traffic was palletised worldwide, the annual pallet requirement would exceed 3.4bn. a year.



UNIT LOAD SHOW

Wembley Conference Centre
7-10 December 1976

Tuesday 10 am to 6 pm, Wednesday 10 am to 10 pm
Thursday 9 am to 6 pm, Friday 9 am to 4 pm

Exhibition - 75 companies
Conference - 44 speakers
Film Show and TV demonstrations
"Confrontation" with Raymond Baxter
Department of Industry report
on Pallet Wastage

SHRINK WRAP GUNS - PALLET BOXES - STRAPPING MACHINES
TROLLEYS AND CAGES - REPAIR BOARDS - METAL PALLETS - CONVERTORS
TIMBER PALLETS - BOOKSHOP - EXPENDABLE PALLETS - PALLET COVERS
NAILING MACHINES - PLASTIC PALLETS - STRETCH WRAP EQUIPMENT

Additional information from
01-904 7030, 01-908 3755 or 01-908 2122

The Unit Load Show
Is devised and organised by Gordon Carlton
PALLET ENTERPRISES LTD.
PO Box No. 33W Wembley, Middx. HA9 9NU
Telephone 01-908 2122

Admission to Exhibition and Conference by
Catalogue only, available from Pallet Enterprises
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FREE TRIP TO USA

All registered visitors to the Unit Load Show
business/holiday trip
to the USA, see catalogue for details.

The Wembley Conference Centre is
adjacent to Wembley Stadium on Empire Way.
Only 10-15 minutes from the North end of the
M1 and M4 and close to the London Circular Road.
Parking - no problem
Nearest Underground Station - Wembley
Park on the Metropolitan and Bakerloo Lines.
Minibus shuttle service From Wembley Park
Station to Conference Centre.

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Lower 230/32/42/44Cases Pallets
Upper 64/72Jewson Cases & Pallets
Upper 180/82Sumapack
Upper 66/68/70Unit Pallets
Lower 286/92Timperley Engineering
Upper 142/44Reed Corrugated Cases
Lower 282/4/94/6W. H. Shaw
Lower 226/48The Otford Group
Lower 206/8/22/24Pallet Services
Upper 188/90Caddie Products
Lower 210/12/18/20Structural Thermoform
Lower 252/54/72Rowlinsons (Wirebound
Containers)
Lower 256/8Swiss-American Inc
Upper 106/8Christian Salvesen
Pallets
Upper 58/78Total Mechanical
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Lower 268/70Bambergers Materials
Handling
Lower 278/80/98/300Swedapal
Upper 130/132Holmens AB
Upper 136/38

UNIT LOAD II

High hopes for pallet pool plan

UNDOUBTEDLY THE most significant event in the U.K. pallet industry to recent years has been the introduction of the GKN Chep pallet pool, which has wide implications for all concerned in their use and manufacture.

From a cautious if well prepared start in April last year, the company now has around 200 companies renting its pallets and about 2,000 handling them in total. It has about 450,000 pallets rented out and believes that figure can be doubled in the next year.

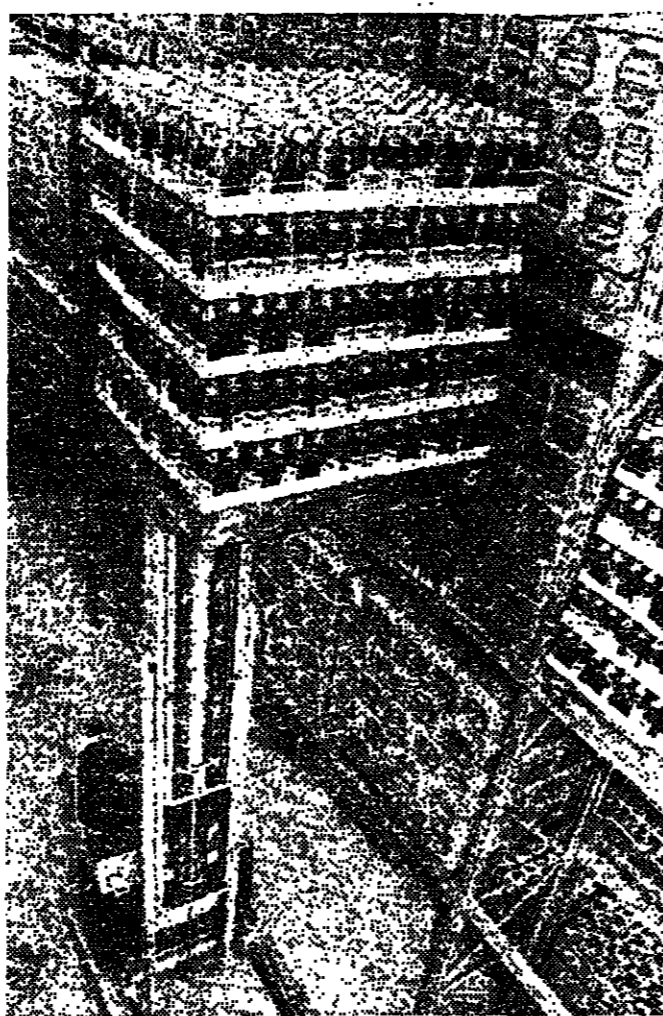
The operation took two years of market research and planning, followed by months of setting up. This involved recruiting and training about 100 people, obtaining national depot coverage, pallet procurement, specification, testing and other work. The new company concentrated mainly on the food industries at the start and has been largely successful in winning the confidence of major companies.

Mr. John Jessup, managing director of the company, recently outlined what he believed to be the most significant advantages of the scheme. The first of these concerned the quality and maintenance of the pallet, which could be kept consistent through pooling, second, one standard size and design of pallet had considerable handling advantages. There was also a great saving of labour in the reduction of sorting empty pallets. The more companies using the one standard pallet, the easier it is for warehouses to give the pallet turnaround service, so important for both retailers and their suppliers.

Support

He believed that the support of consignees was an important aspect, because without their co-operation no pallet control system could work in any industry, let alone the food industry. The ability of companies to operate a pilot scheme with the company, to judge its application to particular circumstances, is also regarded as significant.

"Anyone in business, in these hard times will, I am sure,



GKN Chep pallets in a groceries warehouse.

accept the fact that the decision to go over to a new and relatively untried system is not undertaken lightly, nor without the expectation of financial benefits. Those who have committed their pilot programmes know that the savings can be very significant indeed," Mr. Jessup claimed.

The company is now concerned at the need to extend the pool into all industries, and is at present gaining experience through clients in several other industries. "We will move into these on a planned basis, we are confident that their total distribution patterns can be catered for by our resources," he added. So far present clients had involved more than 100

exchange in warehouses all over the country.

Pallet recovery, the other principal means of reducing pallet costs, continues to be aimed at getting the co-operation of the recipient. It was suggested by Mr. R. J. Harris, managing director of Pallet Recovery Service of Crawley, that users must emphasise the cost aspect to their customers.

It should be pointed out, he says, that unless the distribution cost of the item is reduced, or at least held, it would only increase the cost of the item concerned. Not only was it important to get the pallet back, but it was just as important to ensure that the ones received back are in a condition where they can be used immediately.

The PRS scheme is based on appointing the company as collecting agent and then informing it each month of the number of pallets put into each collection point. It was important that this collection should be done as soon as possible, for the obvious reason that many companies have so little space in which to store pallets that they are soon dumped in places where they are likely to deteriorate or be destroyed.

When collected, the pallets are taken back to company depots, where they are inspected for damage and sorted for return, and the company is legally required to point out to clients and their employees the dangers of using pallets which are not up to standard. Repairs are also carried out where possible. The onus is completely on PRS to ensure that it returns pallets which can be used immediately.

As with other recovery schemes the problem of identification continues to be a major one. Those "foreign" pallets collected by PRS, along with the thousands of others they handle, are set aside and the rightful owners informed where possible. "We know that because of the service we offer, we have saved many thousands of pounds in the distribution costs of many companies, besides relieving them of the considerable administrative burden, while at the same time they are able to retain complete con-

trol and ownership of their pallet population," Mr. Harris claims.

The problem of identification has been partially overcome by various means such as colouring or stencils, but a more ingenious method has now been developed in which a coloured plastic plug, with barbed sides, is driven in to the pallet and made flush with the wood. This is extremely difficult to remove entirely, and could prove to be a popular means of identification in future.

On the overall cost of pallets, Mr. J. M. B. Mead, chairman of Tilgate Pallets, points out that between 1960 and the early 1970s, the cost of a pallet to continue from a healthy stable commodity market. This, he suggests, was a measure of economic climate, although the future of plastic pallets remains uncertain, although there are indications that they are making inroads into some areas, such as for food handling.

Prices since 1972 had more than doubled due to the commodity boom, but there had

been some slight easing since then. Given a reasonable balance between supply and demand in the future timber market, it was likely that a more stable underlying situation would arise for the cost of timber. But other cost elements were all directly affected by general inflationary trends.

One may therefore conclude that timber pallet costs will continue to rise due to all these factors. In spite of the present trends must be reflected in the price of pallets if supplies are to continue from a healthy stable commodity market. This, he suggests, was a measure of economic climate, although the future of plastic pallets remains uncertain, although there are indications that they are making inroads into some areas, such as for food handling.

Reflected

One may therefore conclude that timber pallet costs will continue to rise due to all these factors. In spite of the present trends must be reflected in the price of pallets if supplies are to continue from a healthy stable commodity market. This, he suggests, was a measure of economic climate, although the future of plastic pallets remains uncertain, although there are indications that they are making inroads into some areas, such as for food handling.

The one possible exception is the pallet developed by World Wide Plastics. However, it does make the point that about 15 years ago wooden box-makers decided the chances of plastic bottle crates being successful. Given the rapidly changing circumstances in which pallets may be used, according to one source, sales in the U.S. and Japan are increasing substantially, though not

significantly in terms of overall pallet sales.

According to Mr. E. Muir Smith, a materials handling consultant, there are two major drawbacks in plastic pallets. The first is the loss rate, which continues to discourage companies from buying more expensive pallets, whatever other qualities they may have. The other, he suggests, is that there is no general purpose plastic pallet in existence at the moment, such as one which will take a distributed one-tonne load in drive-in racking.

The one possible exception is the pallet developed by World Wide Plastics.

However, it does make the point that about 15 years ago wooden box-makers decided the chances of plastic bottle crates being successful. Given the rapidly changing circumstances in which pallets may be used, according to one source, sales in the U.S. and Japan are increasing substantially, though not

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Caging catches on
in a big way

CAGING LOOKS all set to become one of the most important new developments in grocery retailing for years. Asda pioneered the concept, which has Continental origins in the U.K., and its success has been quickly followed by Tesco (perhaps too quickly), and by Fine Fare. Keymarkets and Sainsbury were not far behind. Now all the major multiple groups are taking a hard look at this new method of distribution.

Basically caging means smoothing the progress of goods off the production line and into the housewife's basket. Ideally at the point of manufacture the brands are packaged into cages, and they stay there until the shopper dips into the cage on the shop floor. There is no loading and unloading; less need for costly storage in warehouses; no

burdensome shelf-filling. The manufacturer should handle the job which has been a traditional chore for the retailer's warehouse and shop floor staff.

This immediately creates one of the problems with caging. At the moment, few manufacturers cage more than a small percentage of their output. It is costly for them to make special packaging arrangements on the production line and into cages for small quantities of goods destined for a handful of customers, albeit the major customers. There is the additional chore of retailers often asking manufacturers to price-mark the goods. Manufacturers are well aware of the savings to the retailers of caging, and now they are expecting some financial reward for their co-operation, or at least the assurance

that they will not be carrying extra costs because of the new method. They are sometimes convinced by the argument that caging guarantees a good in-store display and a saving on merchandisers.

But in the main the retailers are likely to get their way, for the economies from caging are considerable. Distribution accounts for 20-25 per cent. of the cost of a grocery product (depending on what it is), and cages can save at least 5 per cent. on this. But then there are other less tangible benefits. According to Keith Padden of Fine Fare, labour costs are 60 per cent. of the expense of running a store, and since caging eliminates time-consuming price marking and greatly facilitates the movement

of goods from the warehouse to the selling area, this major cost area can be cut by 15 per cent.

In addition there is saving in storage space. At Asda, for example, the majority of caged goods are delivered to the stores at night and wheeled straight on to the selling floor, by-passing the warehouse altogether. In some cases this has enabled Asda to extend its selling space in 80 per cent. of its total area of the store, as against 50 per cent. before the innovation. Indeed Peter Firmston-Williams, the Asda managing director, reckons that cages are the best single factor in the company's ability to control costs and to increase profits. It is now the fourth largest grocery retailer in the U.K.

Asda is the ideal company to

(CONTINUED ON NEXT PAGE)

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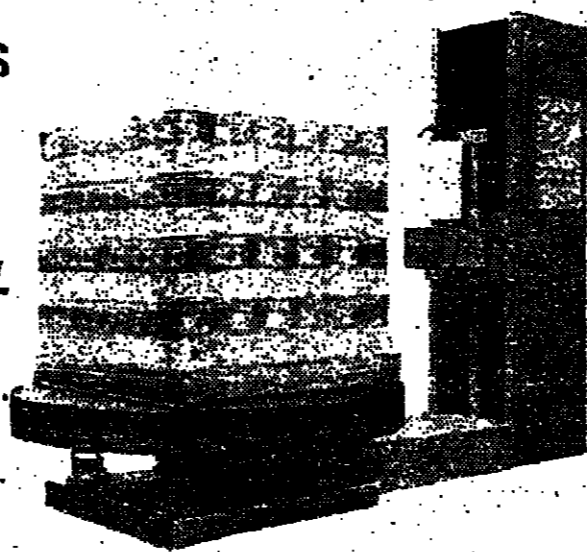
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THE WRAPPING and securing of palletised loads can be achieved in an infinite number of differing combinations to achieve protection for the goods, and the right combination depends largely on the type of goods and their destination. Most companies have realised the importance of getting this right, and many have invested in expensive equipment for wrapping, but the many recent advances may raise some doubts about the decisions, particularly in relation to costs.

Shrink wrapping, the method of shrinking plastic film round the pallet, can be achieved in three basic ways. The first, used mainly where a high volume of goods is being handled, is by means of a heated tunnel or oven, through which the palletised load is passed. Capital outlay on this can be expected to be in the region of £8,000.

Second, where a limited

capability is required, the hand held gun is used to shrink the film on to the load. Although these are manufactured in the United States and Germany, the U.K. demand continues to be strong. They are now being used in some cases as a multiple battery, in fixed positions, as a compromise between the tunnel and the hand-held method. A single gun costs up to £500.

Stretch wrapping, a technique introduced fairly recently, is normally achieved by winding and stretching plastic film round the load. Although it has the disadvantage of leaving the top exposed in some cases, it has to its credit the safety aspect of not needing heat and is sometimes regarded as more suitable for fragile goods. This method is also less expensive, with a high-capacity system costing around £3,000.

But perhaps the most relevant point is that this form of wrapping is also a method of holding unit loads together and integrating them with the pallet. It may be possible, as a result, to use a cheaper and lighter pallet, or possibly an expendable one. For that reason a company should consider the economies of shrink and stretch wrap in conjunction with the pallet itself and not as separate entities.

System

As Mr. M. J. Carpenter of the National Materials Handling Centre points out, the objective is to produce a unit load which can be handled safely by machine, and the pallet and the unitisation system should be thought of as a system if the right combination is to be achieved.

The packaging consultant to Rockware Glass, Mr. R. Woodward, looks at it in a slightly differing way, suggesting that the first thought should be on what is to be achieved. For example, it should be decided whether only modest protection without any attention to the actual security of the load is needed, or whether it is first class protection combined with good load stabilisation.

Whatever the decision, it is also likely to be influenced by the importance of avoiding pilferage of the goods and keeping them clean and tidy, with the added possible requirement

of protection against the weather.

The use of stretch wrapping is growing fast, although it does have some drawbacks. For example, if the top of the load must be protected from dirt or pilferage, an extra piece of film has to be used, since the stretch wrap only protects the sides. However, this method can be used with goods which themselves are covered with shrink wrap without getting the two films fused together.

The method is also considered good for articles which have sufficient weight to resist the strain of the film being wound round the load, but on the other hand stretch wrapping cannot be used with bulk palletised loads of cans or bottles because these can easily be displaced by the tension of the film.

For shrink wrapping of good quality, it is regarded as essential to use an oven or tunnel, as the hand gun will not generally produce the same results. The gun is extremely labour intensive and depends largely on the skill of the operator. Similarly, a thinner film can generally be used in a tunnel.

The type of film used depends to a great extent on the strain which is likely to be placed on the load, and this is obviously determined to some extent by its destination and the type of handling it will receive.

Mr. Woodward adds: "One should look at the total mechanism. For example, what you are prepared to invest in equipment, the type of labour you have and the particular throughput. It should be noted that with both techniques there must be sufficient floor space for the equipment."

Another alternative, which requires no outlay of capital, is shrouding of loads with plastic bags of the corresponding size, but this provides no stability and, unless restrained, tends to flap, and protection from dirt is only minimal. However, the technique is simple and requires no mechanical aids or a great deal of labour.

Mr. Woodward adds: "Looking to the future, it is quite clear that with the considerable amount of interest in stretch wrapping, this area is likely to grow fast. However, shrink wrap is doing the same and at present it would appear that the two are complementary and will not compete too strongly. It will be interesting in two or three years' time to see how the market is dividing."

On the question of cost, it is estimated that hoods or bags

to be used with a gun will cost around 60p, and the energy used in shrinking it (either by electrical or gas heated gun) would amount to 2p-5p. Shrink wrap, however, will cost an estimated 2p per pallet when gas fired. Stretch wrap costs depend largely on the type of material being used and a number of other factors, although there is not much between the cost of each system.

Other advantages of shrink and in some cases stretch wrapping are considered to be that the same hoods are compatible with loads made up of small or large packages; that the system is effective with irregular shaped loads; that parts of the hood below the level of the pallet deck are not liable to serious damage; and that the nature and condition of the load can be observed through the film. Corner or other protection against the pressure of the film is not usually needed as the pressure is usually evenly and gradually applied.

With the considerable investment required to establish any of the larger scale systems it would appear essential to establish the aims of that equipment and to seek advice from experts on how to achieve it at the lowest cost.

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Caging

CONTINUED FROM PREVIOUS PAGE

pioneer caging. Its stores tend to be large to the extent of becoming superstores, and caging is really only practicable where there is plenty of floor space for the cages. In addition it concentrates on the basic branded grocery lines so that 80 per cent. of its grocery turnover comes from just 250 lines—and caging is best adapted for fast moving products. ASDA has also been successful in persuading manufacturers to deliver direct to its stores: those multiples that run central warehouse automatically lose some of the advantages of caging.

ASDA would expect 25 per cent. of its turnover in a new superstore to be caged, and reckons in time that this can move up to 80 per cent. It believes that the obstacles to further expansion are not the type of product (it satisfactorily cages lines like flour) but the turnover of the goods.

For ASDA caging coincided with expansion: more traditional multiples have faced some difficulties. Tesco, for example, superstore Pine Fare may also have progressed

Enram superstore with dire results. Caging has to be blended with more conventional methods of displaying goods—too many cages, piled five high on top of shelves (at the top).

Its Winsford operation is now given over 20 per cent. to caging, but Keith Padden does not see this selling method extending out of the larger retail outlets, and further expansion is dependent on careful testing. Where caging obviously pays off, as it did in Hyde when biscuits were sold in both cages and on shelves with a higher turnover through the cages, it will be attempted —if the manufacturers will co-operate.

Peter Firmston-William, believes 'hat the manufacturers' doubts can be overcome, especially as caging offers excellent display in store. In a period of remorselessly rising retail grocery prices any new process which can save on labour, on costly store space, on distribution, is doubly welcome. Caging is here to stay and it will be extended as super stores with their ability to offer

lower prices, will extend themselves, breaking down the prejudices of local authorities. The two ideas go hand-in-hand. Caging may well mean changes in conventional distribution patterns. The arguments against retailer-controlled warehouses holding stocks of merchandise are reinforced by caging, which is most useful when it eliminates all forms of storage. For Sainsbury's this creates difficulties, since the company has favoured the strategically sited series of depots approach to service its stores.

There seems to be no consumer antagonism to a sensible amount of caging in a shop and one other advantage of this form of selling is that it can be effectively tested against conventional methods at little cost. The fact that the company which has adapted caging most widely, ASDA, is also the company that has been the grocery retailing success story of the decade must be more than a coincidence.

Antony Thornicroft

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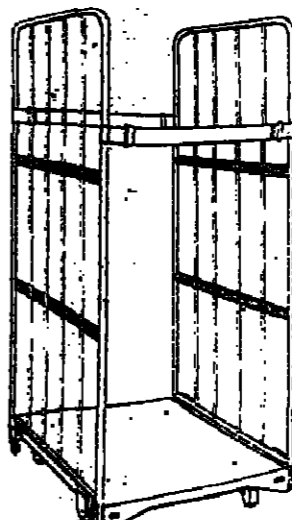


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UNIT LOAD IV

Searching for new techniques

THE DRIVE for new developments in the pallet industry comes from two directions. First, the sector could provide another outlet for materials other than timber. So manufacturers of materials like plastic, paper and board, chipboard and so on have been searching for the right formulae for the commercial breakthrough they hope to achieve.

Then there is the search for the "expendable" pallet, one that costs so little while saving so much that the user does not mind it disappearing after one journey. Behind the search for the expendable pallet is the fact that so far there has been no satisfactory international pallet pool developed—all the pools which do exist operate within national boundaries.

Variety

The problem any designer faces when dealing with the pallet is that the pallet is not used just when goods are despatched. Pallets have to stand in warehouses and stores, often on beam racking. Pallets must be handled by a variety of equipment ranging from the human hand to cranes and forklift trucks. Pallets often must be carried in several different vehicles on their journeys. Road vehicles of various kinds and an assortment of ships and barges can be involved.

It has been estimated that a pallet load of confectionery going from Birmingham in England to distributors in Sydney, Australia, will be handled on average 17 times before it reaches its final destination. To ask that this is successfully completed on a pallet manufactured at a very low price is asking a lot of industry.

The difficulties facing the potential manufacturer of expendables in the U.K. are even more severe. U.K. food manu-

facturers buy more than 4m. pallets a year and about half of them get lost, are stolen or go astray. Analysis has shown that the total cost per pallet journey within the U.K. food and grocery distribution system, including the basic purchase price, losses, repairs, amortisation and cost of capital, amounts to 65p. So any suitable expendable pallet would be expected to do all that the conventional type will do and yet cost only 65p.

To get an indication of what has been achieved in cutting the cost of an individual pallet you can turn to those manufacturers who have produced some using timber with reduced specifications. These pallets are made to standard designs but with the deck boards reduced in thickness, use is made of inferior timber, fewer nails and less boards.

In this way the cost can be reduced to between half and two-thirds of the cost of a similar normal pallet. One new pallet of this type sells for between £1.40 and £1.80 compared with £3.10 to £3.50 for an ordinary pallet.

The fact that five companies are presenting plastic pallets at the Unit Load Show proves that this material is making a serious attempt to capture a good share of the market. These pallets are, of course, attacking the conventional timber market.

There are various benefits offered by plastic pallets. They are, for example, easily identifiable by colour and appearance. A company can have its name moulded on to the pallet where as identification signs wear off timber types. Plastic pallets are also easily cleaned, making them attractive for food handling. On top of all this they are always the size you want them to be (it is not so easy to produce exactly identical timber pallets) and they are lighter than timber.

The main disadvantage is that

they cost three or four times what a timber pallet costs, size for size. And in the past it was not possible to use plastic pallets in pallet racking systems. However, at least two of the plastic pallets at the Unit Load Show claim that they can be used for racking.

For these companies attempting to produce the disposable plastic pallet the main difficulty is that the material has little rigidity unless very thick sections are used or strength engineered into the material. In the U.S. attempts are being made to finance a programme aimed at establishing if strength can be added to various plastics by altering the structure of the molecules.

Paper and board companies are not only interested in attempting to find new markets for their products but are also big users of pallets themselves. Much time and effort has gone into finding a satisfactory solution but so far without tremendous commercial success.

Polystyrene is light, cheap and can be moulded at no great cost and pallets made from this material will take light loads satisfactorily. At £1 for a 40 inch by 40 inch pallet, these come nearer in price to being the ideal expendable pallet than any of the competition.

Nothing

Like paper and board pallets, those made from moulded chipboard or wood waste seem to suffer from performance problems and so far attempts to produce suitable pallets from recycled waste materials seem to have come to nothing.

At the Unit Load Show there will be on show a range of pallets capable of being made fully automatically, at a high speed, from a variety of materials on a single machine. The £400,000 machine can produce pallets from treated or untreated board, plywood, hardboard, or a combination of these

so as to give the user the flexibility to test the right kind of pallet for his job and possibly result in a down-specification of the materials he has been used to employing. And although the Show is not really about industrial trucks and their attachments, one product of this kind will be shown. This is a satellite pallet truck.

The idea is that the satellite truck picks up the pallet and then is itself picked up by a fork-lift truck. Pallet and satellite takes its load into the container, guided by remote control from the fork-lift.

Kenneth Gooding



The HIAB Hydraul Roll pallet system.

Pallet boxes

unit, the modules enable the container to be filled far more easily and quickly than before.

This means a faster container turnaround either at the manufacturer's factory or at the container base. Loading is by fork-lift truck, diminishing handling costs and because the loads are distributed evenly within the container, there is less risk of damage in transit. Further, savings on direct packaging costs, freight charges, labour and space, are attributed to the use of this system. The protection it gives to goods from handling and pilfering.

Their most suitable use is either for export goods or for high-value and perhaps less robust items, which need the additional protection not generally provided by either shrink or stretch wrap. Some are specially designed for use in standard size containers, such as the Bowfort container module, which are claimed to speed up container loading and reduce risk of damage.

It is also claimed that by allowing many small packages to be consolidated into a single

unit, the modules enable the container to be filled far more easily and quickly than before.

The heavy duty board, such as that produced by Reed and Bowater, is designed as a lightweight, low cost replacement for timber or plywood packaging. Demand for the Bowater product is claimed to have increased so rapidly that production and converting capacity have been considerably increased at the main manufacturing centre in Manchester.

Cheaper

There is also increasing demand for bulk containers mounted on pallets often used with an internal polythene liner, depending on the nature of the contents. These can carry most products normally shipped in intermediate bulk form and are regarded as cheaper and more easy to handle than other expendable containers designed for similar use. Construction is again from heavy duty board. Similarly increased competition from competitors in recent years.

Nevertheless its output continues to grow and it is estimated that it has sales of about 250,000 pallet boxes a year. These go mainly to light engineering companies, book publishers and a wide range of exporters including cosmetics manufacturers and the nearby Pve factory. It produces six standard sizes but will also produce boxes for the specific requirements of a customer.

Bearing

Although Britain is regarded as being well ahead of Continental companies in the design and usage of pallet boxes, a box pallet pool was set up in 1967 by some members of the existing European rail pallet pool. In this role it is regarded as quite satisfactory, due to its wider range of uses, particularly for containing small parts. However, the durability of the product would certainly have a great bearing on the success of such an operation in the U.K.

It is not clear whether new developments in shrink and stretch wrapping are likely to be damaging to the sales of pallet boxes, or whether they will play a complementary part in the industry. Nevertheless, the future cost of boxes, which range roughly from £8 to £25, will determine this when related to alternative covering costs.

Board prices are an important factor in the long term cost of boxes, and that depends largely on the cost and availability of the waste paper from which they are made. With the cost of imported pulp increasing significantly due to the fall in the value of sterling, more paper companies are turning to the use of waste paper for production of grades such as newsprint.

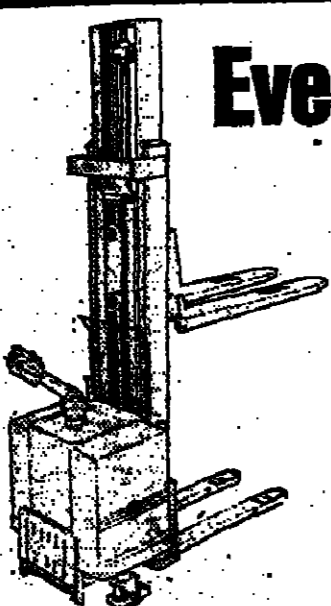
In the long term this is certain to push up the price of point weight can be dangerous, waste paper and stimulate collection by local authorities and is a general observation and private organisations. Whether most customers will be advised this demand will create a need on the suitability of their product for this form of transport.

Tillotsons, of Burwell, Cambs., he quick to look for alternatives. On the export side, British leader, having established its products on the market some years ago, when it was estimated to have up to 80 per cent. of the total British market. The company's distinctive integrated pallet, formed by the means of polystyrene, fitted into sleeves under the case, has proved remarkably successful, but it has should be good.

Lorne Barling



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ARMING AND RAW MATERIALS

Sharp fall in cocoa and coffee

By John Edwards, Commodities Editor

THE DECLINE in cocoa prices on the London terminal market accelerated yesterday following a fresh wave of selling mainly by speculators taking their profits.

The March position closed 557.75 lower at £1,762.5 a tonne after having traded at a high of £1,845. This compares with record prices of well over £2,000 a tonne reached about a fortnight ago.

There has been no change in the fundamental supply-demand position to account for the sudden collapse in prices. It is seen mainly as a technical reaction to the recent surge upwards in prices when the market became overbought.

Once under way, the decline triggered off stop-loss selling and made speculators increasingly nervous. The shakeout yesterday afternoon was mainly inspired by speculative selling from New York putting the London market under renewed pressure.

Coffee prices on the London Robusta futures market also turned sharply downwards yesterday afternoon. The March position closed 23.95 down at £2,345 a tonne reversing earlier gains in the market during the morning and early afternoon.

Profit-taking selling forced London values and "snowballed" in a final active trading session that was extended by 15 minutes. The firm opening of the New York market, inspired by the decline from the record levels reached on Monday, came despite prospect of a higher Colombian export price and unconfirmed reports that El Salvador had temporarily suspended export registrations.

Potato stocks still at low level

By Peter Bullen

POTATO SUPPLIES this winter may be no more plentiful than they were last year, the Potato Marketing Board's official estimate has shown.

Releasing details of its end of October census yesterday, the PMB said it expected 2,195,000 tonnes suitable for consumption would be available. This is more than last year's 1,900,000 tonnes, but the difference may easily be wiped out by the fact that at the end of October 1975 only 5,000 hectares remained to be lifted.

This year, at the same time, 58,000 hectares were in the ground because of lifting difficulties caused by the very wet weather. However, since the end of October improved conditions have enabled much of the backlog to be cleared.

The hot, dry summer which hit yields this year, followed by the excessively wet autumn has also meant that the keeping quality of potatoes is poorer with much greater wastage in stored potatoes anticipated than was experienced last winter. Hence, the PMB expects the increase in the area planted from 190,000 hectares to 195,000 to cancel out the loss through wastage.

The Board points out that the home produced supplies will be

augmented again by imports as the Government is continuing its suspension of its traditional ban on maize corn imports while keeping its ban on exports in an endeavour to maintain supplies.

So far this year 103,000 tonnes have been imported compared with 123,000 tonnes at the same time in 1975. There are some doubts, too, about the availability of overseas supplies this winter, but imports of U.S. potatoes may release Continental supplies for shipment to the U.K.

Probably the most important difference this year is the demand side of the story. The high prices have caused a big drop in consumption.

The per capita consumption is down by over 30 per cent on the 1965 level and is even 23 per cent down on last year's low figure.

Retail prices are ranging from 8p to 14p a lb for loose potatoes compared with 7p to 8p a lb at the end of November 1975, which was a record. Prices are expected to remain in the region of 11p to 14p a lb for the rest of the season.

Peak price for Iceland fish catch

By Our Own Correspondent

COD COULD BE £1 a lb in the shops to-day. On the wholesale market at Hull yesterday, prices were the highest anyone could remember.

Cod fillets were fetching a record average of 53 pence, with the top quality up to 59 pence. The average for the whole fish was 47 pence.

The trawler Hammond Lines sold 22,000 stone of cod from their base at 48 pence, which was a record, while the Icelandic trawler Ogr, later sold 24,700 stone of fish for more than 55 pence.

The Anglo-Icelandic fishing agreement ends to-day and British trawlers will be instructed by Fisheries Ministry support vessels to leave the 200-mile limit by midnight.

The alternative fishing grounds for British trawlers will be Bear Island, 3,000 miles from home, and the Barents Sea—a 7,000-mile round trip.

Variable rate farm loans to cost more

By Our Commodities Staff

FROM TO-DAY the interest rate for both existing and new variable rate loans made by the Agricultural Mortgage Corporation will be 17 per cent.

For those who already have a variable rate loan this will mean a rise of either 4 per cent from the 13 per cent fixed on June 1 or 1 per cent from the 14 per cent fixed on October 1, since October 1975 when the last change was announced for new variable rate loans only.

The AMC says the rate for these loans, which account for some 20 per cent of the Corporation's £200m. lent to farmers, will be reviewed again on June 1, 1977.

The lending rate of interest for new fixed rate loans remains at 16 per cent.

Paraguay bans hide exports

ASUNCION, Nov. 30.

Paraguay has banned exports of raw hides with effect from January 1, 1977, under a Presidential decree issued here.

Exports of raw hides last year were valued at \$4.2m. The ban is aimed at protecting the domestic tanning and footwear industries and to promote footwear exports.

Moving mountains for copper

BY NICHOLAS ASHESHOV

ONE OF the world's biggest, and most expensive new copper mines was officially opened in Cuzco last week with a ceremony which significantly was attended by Peru's military leaders as well as important international mining financiers.

The Cuzco mine—high in the dry, brown coastal sierra of Peru's deep south—has cost \$730m. so far and the owners, Southern Peru Copper Corporation (SPCC), are still seeking a further \$54m. in "pipeline" finance.

With copper prices in the doldrums the extra money is proving hard to find. But the achievement in bringing Cuzco to production marks the culmination of one of the hardest financial deals in international mining as well as the completion of a great engineering feat, including literally moving two mountains.

The saga started in 1968 when the SPCC, Peru's traditional industrial oligarchy, was hit by a barrage of left-wing legislation. The World Bank and the Inter-American Development Bank bailed out the company, but the mine, for the next four years, was a costly and a good track record and excellent connections, had to run what

amounted to an international financing blockade.

President Velasco had just nationalised all the assets of the owned by Kennecott and Anacondita. In neighbouring Bolivia, General J. O. Torres nationalised both Gulf Oil and Chase Manhattan.

Downward pressure on international copper prices should continue over the next few months despite a rapid rise in consumption. The Hamburg Economic Research Institute forecast yesterday.

In a study of the world copper markets, the institute said the surplus of supplies in the western world will increase in 1977 if Chile persists with its increased production policy. However, the threat to prices from higher Chilean output may be eased to some extent by possible strikes by the north American copper workers when existing labour contracts expire in mid-1977.

U.S. Steel. There can, in short, have never been a less propitious time for a U.S. copper company to look around for "several hundred million dollars worth of borrowed money."

The final financing package is complex and expensive. It says a lot for the single-mindedness of the SPCC shareholders—principally Asarco, Phelps Dodge, Cerro-Maron Corp., and Newmont Mining—joined later by Billiton of Holland.

There are two basic sections to the financing: first, the equity brought in by the shareholders amounting to approximately \$200m. Second, a package of \$540m. from 60 banks and credit institutions—put together by Chase Manhattan.

Additional money came from local Peruvian banks led by the Banco de Crédito. About 150m. of the Chase package came from the U.K.—most of it to finance British equipment. In the concentrating and crushing plants, within the basic financial blocks, over \$50m. still being sought—are all sorts of "bridging" loans and other kinds of short-term funds.

As with most large mining projects, the money came mostly from suppliers standing of one kind or another or from the advance sale of copper from the mine to refineries and traders.

SPCC's owners will take about 70,000 tonnes a year, Germany (Norddeutsche Affinerie) about 15,000 tons a year each. The U.K., principally Enfield Refining, bought 30,000 tons of blister and 10,000 tonnes of refined copper.

Cuzco will produce 155,000 tonnes a year, a year ago it was producing 100,000 tonnes. The production to about \$75,000 tons a year.

Australian wool support price lifted

BY KENNETH RANDALL

THE AUSTRALIAN Government has approved an increase of the floor price for wool of 21 per cent following the devaluation of the Australian dollar.

It authorised the Australian Wool Corporation to lift their average floor price for the whole of 1976 from 21s 6d to 26s 6d, a rise of 23 per cent.

Mr. Ian Sinclair, the Minister for Primary Industry, said the change "takes full account" of the devaluation. Price relative to the various wool types and details of the operation of reserve prices at the auctions have been left to the discretion of the Government remains firmly committed to guaranteeing the wool price.

"We do not want to see our customers who have recently bought wool disadvantaged, nor do we want to see the gathering strength of demand for wool, evident before the devaluation, affected by the currency move."

Trade sources in Sydney expect the Corporation to be a heavy buyer at this week's wool auctions which resume tomorrow, reports Reuters.

Foreign buyers are expected to look around for "several hundred million dollars worth of borrowed money."

The final financing package is complex and expensive. It says a lot for the single-mindedness of the SPCC shareholders—principally Asarco, Phelps Dodge, Cerro-Maron Corp., and Newmont Mining—joined later by Billiton of Holland.

There was another active day on the London wool futures market yesterday, too, with prices losing slightly lower on balance moving erratically.

World sugar stocks rise

WORLD SUGAR stocks in the year to August 1976 rose by 2,727,000 tonnes to a total of 20,349,000 tonnes, according to final estimates of the 1975-76 sugar balances issued yesterday by F. O. Licht.

Production shown as having risen to 82,823,000 tonnes against 79,768,000 previously, while consumption rose to 79,946,000 tonnes compared with 78,042,000 in 1974-75.

The Licht final estimates are closely in line with earlier forecasts and came as no surprise to the terminal market. However, values were easier reflecting the prospect of renewed selling by Colombia, Brazil and the Dominican Republic—leading exporters.

The Brazilian Sugar Institute confirmed it had sold white sugar recently, but claimed it was staying out of the raws market.

Rubber producers sign price pact

JAKARTA, Nov. 30.

THE WORLD'S leading natural rubber producing countries have agreed to sign a price pact to stabilise rubber prices by stockpiling and production controls, officials of the Association of Natural Rubber Producing Countries, said.

The agreement was signed by Indonesia, Malaysia, Thailand, Sri Lanka and also by Singapore. The agreement climaxed 18 months of complex negotiations following an outline accord in May 1975. It was signed at the close of the fifth ministerial assembly of the Association—a grouping of the five signatories—India and Papua New Guinea.

Under the agreement an International Natural Rubber Council will be established with its headquarters in Kuala Lumpur.

The council will be responsible for implementing the stockpiling and supply rationalisation policy if natural rubber prices fall below an agreed price level, which has not been disclosed.

Under the agreement, the five countries will provide finance for a buffer stock of up to 100,000 tonnes initially with a possibility of revising the net figure upwards, necessary after the first two years.

But delegates to the meeting said that on the basis of a forecast prepared by the International Rubber Study Group, they did not expect any price support action would be needed in the near future, and possibly not during the two-year duration of the agreement.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Barely changed on the London Metal Exchange as quiet trading continued. Forward metal closed at 274 and rose to 276 on reports of an earthquake in Chile but then slipped back as selling re-entered the market. In the

COFFEE—Steady in subdued trading with the conditions expected to continue in the rest of the JTC meeting next week. The Eastern price was slightly higher overnight and forward market opened firmly in London at £239 in the face of some shorted business. A sharp prompt step-up in London prices led later when there was some heavy selling and the physical market drifted down to £235 at one stage.

L.G. Index 01-351 3486

COFFEE

Market reports said terminal trading on local stockpiles tended after noon despite heavy rain. Market sources reported that El Salvador had reopened negotiations. While there was no concrete news, it was expected that the new level for strictly high grown would be still white that of the low grade. Sales 1,157 (3,338) lots of 5 tonnes.

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A YEAR'S RECORD PROVES NEW COMMODITY TIMING INDICATOR SUCCESSFUL

It's called the Eurocharts Timing Indicator and is now included in the weekly Metals and Soft Commodities Reports. Designed to help commodity traders cut losses and run profits more effectively the Indicator has been researched and developed over the last year and has recently been made available.

Printed below are the recommendations for COFFEE over the last 12 months together with the price ruling at the time. Would this information have improved your dealing profits?

DATE	RECOMMENDATION	PRICE LEVEL (Based on 2nd October)
2nd January	BUY	£800
16th January	SELL	850
30th January	BUY	830
13th February	SELL	890
2nd March	BUY	870
29th April	SELL	1330
2nd May	BUY	1320
14th May	SELL	1440
24th May	BUY	1420
26th May	SELL	1450
1st June	BUY	1490
2nd June	SELL	1580
6th June	BUY	1530
25th July	SELL	1580
26th July	BUY	1290
29th August	SELL	1520
3rd September	BUY	2240
17th November	SELL	2230
19th November	BUY	

Each day's figures for up-dating the Timing Indicator are available within 15 hours of the markets close.

Annual Subscription £40.

For further details and a two week FREE TRIAL of both Metals and Soft Commodity Reports contact:

EUROCHARTS LIMITED, 18/19 Fish Street Hill, London EC3R 6BT. Tel: 077954. Telephone: 01-283 2284.

PUBLIC NOTICES

N.I. LAND REGISTRY LOST CERTIFICATES

It is hereby notified that the following certificates have been lost and the same are hereby declared void:

1. Certificate No. 123456789, issued to Mr. J. Smith, for a plot of land in the County of Down, containing 10 acres, more or less, bounded by the River Lough Beg.

2. Certificate No. 987654321, issued to Mrs. A. Jones, for a plot of land in the County of Antrim, containing 5 acres, more or less, bounded by the River Lough Beg.

3. Certificate No. 567890123, issued to Mr. B. Brown, for a plot of land in the County of Londonderry, containing 15 acres, more or less, bounded by the River Lough Beg.

4. Certificate No. 345678901, issued to Mr. C. Green, for a plot of land in the County of Fermanagh, containing 8 acres, more or less, bounded by the River Lough Beg.

5. Certificate No. 234567890, issued to Mr. D. White, for a plot of land in the County of Tyrone, containing 12 acres, more or less, bounded by the River Lough Beg.

6. Certificate No. 123456789, issued to Mr. E. Black, for a plot of land in the County of Armagh, containing 7 acres, more or less, bounded by the River Lough Beg.

7. Certificate No. 987654321, issued to Mr. F. Grey, for a plot of land in the County of Down, containing 9 acres, more or less, bounded by the River Lough Beg.

8. Certificate No. 567890123, issued to Mr. G. Blue, for a plot of land in the County of Antrim, containing 6 acres, more or less, bounded by the River Lough Beg.

9. Certificate No. 345678901, issued to Mr. H. Red, for a plot of land in the County of Londonderry, containing 11 acres, more or less, bounded by the River Lough Beg.

10. Certificate No. 234567890, issued to Mr. I. Yellow, for a plot of land in the County of Fermanagh, containing 10 acres, more or less, bounded by the River Lough Beg.

11. Certificate No. 123456789, issued to Mr. J. Purple, for a plot of land in the County of Tyrone, containing 13 acres, more or less, bounded by the River Lough Beg.

12. Certificate No. 987654321, issued to Mr. K. Brown, for a plot of land in the County of Armagh, containing 8 acres, more or less, bounded by the River Lough Beg.

13. Certificate No. 567890123, issued to Mr. L. Green, for a plot of land in the County of Down, containing 14 acres, more or less, bounded by the River Lough Beg.

14. Certificate No. 345678901, issued to Mr. M. White, for a plot of land in the County of Antrim, containing 7 acres, more or less, bounded by the River Lough Beg.

15. Certificate No. 234567890, issued to Mr. N. Black, for a plot of land in the County of Londonderry, containing 16 acres, more or less, bounded by the River Lough Beg.

16. Certificate No. 123456789, issued to Mr. O. Grey, for a plot of land in the County of Fermanagh, containing 9 acres, more or less, bounded by the River Lough Beg.

17. Certificate No. 987654321, issued to Mr. P. Blue, for a plot of land in the County of Tyrone, containing 11 acres, more or less, bounded by the River Lough Beg.

18. Certificate No. 567890123, issued to Mr. Q. Red, for a plot of land in the County of Armagh, containing 10 acres, more or less, bounded by the River Lough Beg.

19. Certificate No. 345678901, issued to Mr. R. Yellow, for a plot of land in the County of Down, containing 12 acres, more or less, bounded by the River Lough Beg.

20. Certificate No. 234567890, issued to Mr. S. Purple, for a plot of land in the County of Antrim, containing 13 acres, more or less, bounded by the River Lough Beg.

21. Certificate No. 123456789, issued to Mr. T. Brown, for a plot of land in the County of Londonderry, containing 14 acres, more or less, bounded by the River Lough Beg.

22. Certificate No. 987654321, issued to Mr. U. Green, for a plot of land in the County of Fermanagh, containing 15 acres, more or less, bounded by the River Lough Beg.

23. Certificate No. 567890123, issued to Mr. V. White, for a plot of land in the County of Tyrone, containing 16 acres, more or less, bounded by the River Lough Beg.

24. Certificate No. 345678901, issued to Mr. W. Black, for a plot of land in the County of Armagh, containing 17 acres, more or less, bounded by the River Lough Beg.

25. Certificate No. 234567890, issued to Mr. X. Grey, for a plot of land in the County of Down, containing 18 acres, more or less, bounded by the River Lough Beg.

26. Certificate No. 123456789, issued to Mr. Y. Blue, for a plot of land in the County of Antrim, containing 19 acres, more or less, bounded by the River Lough Beg.

27. Certificate No. 987654321, issued to Mr. Z. Red, for a plot of land in the County of Londonderry, containing 20 acres, more or less, bounded by the River Lough Beg.

28. Certificate No. 567890123, issued to Mr. AA. Yellow, for a plot of land in the County of Fermanagh, containing 21 acres, more or less, bounded by the River Lough Beg.

29. Certificate No. 345678901, issued to Mr. BB. Purple, for a plot of land in the County of Tyrone, containing 22 acres, more or less, bounded by the River Lough Beg.

30. Certificate No. 234567890, issued to Mr. CC. Brown, for a plot of land in the County of Armagh, containing 23 acres, more or less, bounded by the River Lough Beg.

31. Certificate No. 123456789, issued to Mr. DD. Green, for a plot of land in the County of Down, containing 24 acres, more or less, bounded by the River Lough Beg.

32. Certificate No. 987654321, issued to Mr. EE. White, for a plot of land in the County of Antrim, containing 25 acres, more or less, bounded by the River Lough Beg.

33. Certificate No. 567890123, issued to Mr. FF. Black, for a plot of land in the County of Londonderry, containing 26 acres, more or less, bounded by the River Lough Beg.

34. Certificate No. 345678901, issued to Mr. GG. Grey, for a plot of land in the County of Fermanagh, containing 27 acres, more or less, bounded by the River Lough Beg.

35. Certificate No. 234567890, issued to Mr. HH. Blue, for a plot of land in the County of Tyrone, containing 28 acres, more or less, bounded by the River Lough Beg.

36. Certificate No. 123456789, issued to Mr. II. Red, for a plot of land in the County of Armagh, containing 29 acres, more or less, bounded by the River Lough Beg.

37. Certificate No. 987654321, issued to Mr. JJ. Yellow, for a plot of land in the County of Down, containing 30 acres, more or less, bounded by the River Lough Beg.

38. Certificate No. 567890123, issued to Mr. KK. Purple, for a plot of land in the County of Antrim, containing 31 acres, more or less, bounded by the River Lough Beg.

39. Certificate No. 345678901, issued to Mr. LL. Brown, for a plot of land in the County of Londonderry, containing 32 acres, more or less, bounded by the River Lough Beg.

40. Certificate No. 234567890, issued to Mr. MM. Green, for a plot of land in the County of Fermanagh, containing 33 acres, more or less, bounded by the River Lough Beg.

41. Certificate No. 123456789, issued to Mr. NN. White, for a plot of land in the County of Tyrone, containing 34 acres, more or less, bounded by the River Lough Beg.

42. Certificate No. 987654321, issued to Mr. OO. Black, for a plot of land in the County of Armagh, containing 35 acres, more or less, bounded by the River Lough Beg.

43. Certificate No. 567890123, issued to Mr. PP. Grey, for a plot of land in the County of Down, containing 36 acres, more or less, bounded by the River Lough Beg.

44. Certificate No. 345678901, issued to Mr. QQ. Blue, for a plot of land in the County of Antrim, containing 37 acres, more or less, bounded by the River Lough Beg.

45. Certificate No. 234567890, issued to Mr. RR. Red, for a plot of land in the County of Londonderry, containing 38 acres, more or less, bounded by the River Lough Beg.

46. Certificate No. 123456789, issued to Mr. SS. Yellow, for a plot of land in the County of Fermanagh, containing 39 acres, more or less, bounded by the River Lough Beg.

47. Certificate No. 987654321, issued to Mr. TT. Purple, for a plot of land in the County of Tyrone, containing 40 acres, more or less, bounded by the River Lough Beg.

48. Certificate No. 567890123, issued to Mr. UU. Brown, for a plot of land in the County of Armagh, containing 41 acres, more or less, bounded by the River Lough Beg.

49. Certificate No. 345678901, issued to Mr. VV. Green, for a plot of land in the County of Down, containing 42 acres, more or less, bounded by the River Lough Beg.

50. Certificate No. 234567890, issued to Mr. WW. White, for a plot of land in the County of Antrim, containing 43 acres, more or less, bounded by the River Lough Beg.

51. Certificate No. 123456789, issued to Mr. XX. Black, for a plot of land in the County of Londonderry, containing 44 acres, more or less, bounded by the River Lough Beg.

52. Certificate No. 987654321, issued to Mr. YY. Grey, for a plot of land in the County of Fermanagh, containing 45 acres, more or less, bounded by the River Lough Beg.

53. Certificate No. 567890123, issued to Mr. ZZ. Blue, for a plot of land in the County of Tyrone, containing 46 acres, more or less, bounded by the River Lough Beg.

54. Certificate No. 345678901, issued to Mr. AA. Red, for a plot of land in the County of Armagh, containing 47 acres, more or less, bounded by the River Lough Beg.

55. Certificate No. 234567890, issued to Mr. BB. Yellow, for a plot of land in the County of Down, containing 48 acres, more or less, bounded by the River Lough Beg.

56. Certificate No. 123456789, issued to Mr. CC. Purple, for a plot of land in the County of Antrim, containing 49 acres, more or less, bounded by the River Lough Beg.

57. Certificate No. 987654321, issued to Mr. DD. Brown, for a plot of land in the County of Londonderry, containing 50 acres, more or less, bounded by the River Lough Beg.

58. Certificate No. 567890123, issued to Mr. EE. Green, for a plot of land in the County of Fermanagh, containing 51 acres, more or less, bounded by the River Lough Beg.

59. Certificate No. 345678901, issued to Mr. FF. White, for a plot of land in the County of Tyrone, containing 52 acres, more or less, bounded by the River Lough Beg.

60. Certificate No. 234567890, issued to Mr. GG. Black, for a plot of land in the County of Armagh, containing 53 acres, more or less, bounded by the River Lough Beg.

61. Certificate No. 123456789, issued to Mr. HH. Grey, for a plot of land in the County of Down, containing 54 acres, more or less, bounded by the River Lough Beg.

62. Certificate No. 987654321, issued to Mr. II. Blue, for a plot of land in the County of Antrim, containing 55 acres, more or less, bounded by the River Lough Beg.

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